



CPE Tech[®]

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

CPE TECHNOLOGY BERHAD

Registration No. 202101015732 (1416032-X)

(This terms of reference shall be adopted by any committee established by the Board that will undertake the audit and risk management committee function. No representation is made in this terms of reference in relation to the type of committees that have been established/will be established by the Board)

1. MEMBERSHIP

- 1.1. Members of the Audit and Risk Management Committee (“the Committee” or “ARMC”) shall be appointed by the Board amongst its Directors and shall comprise at least three (3) members all of whom must be Non-Executive Directors, majority of whom are independent.
- 1.2. The Chairman of the Board must not be a member of the Committee.
- 1.3. Where the members of the Committee for any reason are reduced to less than three (3), the Board shall based on the recommendation of the Nomination Committee, within three (3) months from the occurrence of the event, appoint such number of new members as may be required to make up the minimum number of three (3) members.
- 1.4. All members of the Committee should be financially literate and have sufficient understanding of the Group’s business and must be able to read, analyse, interpret and understand financial statements, and ask pertinent questions about the Group’s reporting process.
- 1.5. At least one (1) member of the Committee:-
 - (a) must be a member of the Malaysian Institute of Accountants (“MIA”); or
 - (b) if not a member of the MIA, he/she must have at least three (3) years’ working experience; and
 - i. must have passed the examinations specified in Part I of the 1 First Schedule of the Accountants Act 1967; or
 - ii. must be a member of one association of accountants specified in Part II of the 1 First Schedule of the Accountants Act 1967.
 - (c) fulfils such other requirements as prescribed by Bursa Malaysia Securities Berhad (“Bursa Securities”)
- 1.6. No Alternate Director shall be appointed as a member of the Committee.
- 1.7. A former partner of the external audit firm and/or the affiliate firm (including those providing advisory services, tax consulting etc) of the Company or any entity within the Group is required to observe a cooling-off period of at least three (3) years before being appointed as a member of the Committee.
- 1.8. The term of office, the effectiveness 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 this Terms of Reference.

2. CHAIRMAN

- 2.1. The Chairman of the Committee shall be an Independent Non-Executive Director.
- 2.2. In the absent of the Chairman of the Committee, the other members of the Committee shall amongst themselves elect a Chairman who must be an Independent Non-Executive Director to chair the meeting.

3. SECRETARY

- 3.1. The Company Secretary shall be the Secretary of the Committee.

4. QUORUM AND MEETING PROCEDURES

- 4.1. The Committee shall meet at least four (4) times each year. The Chairman of the Committee may request additional meetings as he considers necessary.
- 4.2. If any member is unable to be physically present, he/she may choose to participate by means of a conference telephone or any other audio, audio-visual, or communication equipment which allows all persons participating in the meeting to hear and speak with each other and the person shall be deemed to be present in person and shall be entitled to vote or be counted in a quorum accordingly.
- 4.3. The quorum for the meeting shall be two (2) members.
- 4.4. The Company Secretary, in consultation with the Chairman of the Committee, shall draw up the agenda of the meeting. The agenda, together with the relevant support papers, shall be circulated at least five (5) business days, or shorter notice where it is unavoidable prior to each meeting to the members of the Committee.
- 4.5. The Committee may, as and when deemed necessary, invite any Board members or any member of management or any employee of the Company, who the Committee thinks fit, to attend its meetings to assist and provide pertinent information as necessary.
- 4.6. A matter put to vote at the Committee meetings shall be decided by a simple majority of the votes. In the event of an equality of votes, the Chairman of the Committee has the casting vote.
- 4.7. A member of the Committee who has an interest or is involved directly or indirectly in any matter under consideration by the meeting shall abstain from deliberating and voting.
- 4.8. The Committee shall meet at least once a year with the internal and external auditors without the presence of any executive Board members, management or employees. The Chairman of the Committee may request additional meetings if they consider it necessary.

5. MINUTES

- 5.1. The Company shall cause minutes of all proceedings of the Committee meeting to be entered in books for that purpose. Minutes of each meeting shall be signed by the Chairman of the meeting at which proceedings were held or by the Chairman of the next succeeding meeting.

- 5.2. Minutes shall be kept by the Company at the Registered Office and shall be open for inspection by any Committee member or Board member.
- 5.3. The minutes of each Committee meeting shall be distributed to the Board members for notation.

6. CIRCULAR RESOLUTION

- 6.1. A resolution in writing signed by a majority of the Committee members, for the time being shall be as valid and effectual as if it had been passed at a meeting of the Committee duly called and constituted.
- 6.2. The resolution may consist of several documents in like form, each signed by one (1) or more Committee members. Such document may be accepted as sufficiently signed by a Committee member if it is transmitted to the Company by facsimile or other electrical or digital written messages, which include a signature of the said Committee member.

7. REPORTING

- 7.1. The Committee, through its Chairman, shall report a summary of significant matters to the Board at the next Board meeting after each Committee meeting. When presenting any recommendations to the Board for approval, the Committee will provide such background and supporting information as may be necessary for the Board to make an informed decision.

8. AUTHORITY FOR AUDIT MATTERS

- 8.1. The Committee must, in accordance with a procedure to be determined by the Board and at the cost of the Company:-
 - Have explicit authority to investigate any matter within its terms of reference; and
 - Have the resources which are required to perform its duties; and
 - Have full and unrestricted access to all information and documents which are required to perform its duties; and
 - Have full and unrestricted access as well as direct communication channels with the following parties:-
 - i. Management and any of the staff of the Group; and
 - ii. External Auditors of the Group; and
 - iii. Internal auditors of the Group; and
 - iv. Legal counsels of the Group; and
 - v. Company Secretaries of the Group; and
 - vi. Any other advisers of the Group; and
 - Obtain external professional advice or other advice and invite persons with relevant

experience to attend its meetings, if necessary; and Be able to convene meetings with the external auditors, the person(s) carrying out the internal audit function or activity or both, excluding the attendance of other directors and employees of the listed issuer, whenever deemed necessary.

Where the Committee is of the view that any of the matters that are reported to the Board are not satisfactorily resolved, resulting in breach of any laws, rules, regulations, requirements and guidelines such as Listing Requirements, they shall promptly report such matters to the relevant authorities such as Bursa Securities.

9. DUTIES AND RESPONSIBILITIES FOR AUDIT MATTERS

The duties and responsibilities of the Committee are as follows:-

Financial Reporting

- 9.1. Review the quarterly results and the year-end financial statements of the Group before submission to the Board for approval. The areas of review shall include, but not limited to, the following:-
- (a) Application of new accounting standards, amendments to published accounting standards and amendments on the interpretations of existing accounting standards; and
 - (b) Changes in accounting policies of the Group; and
 - (c) Matters highlighted by the management of the Group which include, but not limited to, financial reporting issues; and
 - (d) Judgement made by the management of the Group in preparing the financial statements; and
 - (e) Unusual events or transactions and how these matters are addressed; and
 - (f) Adjustments arising from the audit; and
 - (g) The going concern assumption; and
 - (h) Compliance with applicable accounting standards, regulatory and other legal requirements, and relevant laws, rules, regulations, requirements and guidelines; and
- 9.2. Provide advice on whether the financial statements of the Group give a true and fair view of the Group's financial position, financial performance and cash flows.
- 9.3. Asks probing questions to the management of the Group to ascertain whether the financial statements of the Group are consistent with the operational and other information known by the Committee.

External Auditors

- 9.4. Consider and recommend to the Board on the appointment or re-appointment of external auditors and their fees (audit and non-audit), after assessing factors which include, but not limited to, their independence, capabilities and the effectiveness of the external audit process.
- 9.5. Review the following and report the same to the Board:-

- (a) Letters of resignation from the external auditors; and
- (b) Suggestions for the dismissals of external auditors, and
- (c) Any written representations or statement of circumstances in relation to the resignation made by the external auditors; and
- (d) Whether there is a reason, which is supported by grounds, to believe that the external auditor is not suitable for re-appointment.

9.6. Assess the suitability, objectivity and independence of the external auditors on an annual basis based on the policies and procedures that have been established and the annual performance evaluation of the external auditors undertaken by the Committee. The said policies and procedures must include considerations on matters which include, but not limited to, the following:-

- (a) The criteria to guide decisions on the appointment and re-appointment of the external auditor. The criteria should include, but not limited to, an assessment of the competencies, audit quality and resource capacity of the external auditor in relation to the audit.

The said assessment should also consider the information presented in the Annual Transparency Report of the audit firm. If the Annual Transparency Report is not available, the Committee may engage the audit firm on matters typically covered in an Annual Transparency Report which include, but not limited to, the audit firm's governance and leadership structure as well as measures undertaken by the firm to uphold audit quality and manage risks such as corporate liabilities risks; and

- (b) The appropriateness of audit fees to support a quality audit; and
- (c) The requirement for non-audit services shall be approved by the Committee before they rendered by the external auditor and its affiliates. The Committee shall take into consideration factors which include, but not limited to, the nature and extent of the non-audit services and the appropriateness of the level of fees; and
- (d) Requirement to obtain written assurance from the external auditor confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements; and
- (e) The annual evaluation on the performance of the external auditors; and any required follow-up measures based on the said annual evaluation.

9.7. Assess the suitability, objectivity and independence of the external auditors on an annual basis; and

9.8. Review the following with the external auditors and report the same to the Board:-

- (a) Audit plan which encompasses, among others, its scope, nature and timing; and
- (b) Audit report; and
- (c) Evaluation of the Group's internal control and risk management systems; and

- (d) The assistance given by the employees to the external auditors, and
- (e) Difficulties or disputes between the external auditors and the management and/or employees of the Group; and
- (f) External auditors' management letter and management's response thereto.

Internal Audit

9.9. In relation to the internal audit function, the responsibilities of the Committee are to:-

- (a) Review the adequacy of the scope and resources, and the competencies of the internal audit function, and ensure that internal audit function has the necessary authority to carry out its work; and
- (b) Review the internal audit plan which encompasses, among others, the audit programme, audit process and reporting structure; and
- (c) Review the findings of the internal auditors and ensure corrective actions are taken by the management, based on the recommendations of the internal auditors; and
- (d) Assess the performance of the internal audit function on an annual basis; and
- (e) Advise on any areas that require further investigations as and when the Committee deemed necessary.

Related Party Transactions ("RPT") and Recurrent RPT ("RRPT")

9.10. Monitor, review and report to the Board any RPT, RRPT, conflict of interest and potential conflict of interest situation that may arise within the Company or Group, including any transaction, procedures or course of conduct that raises questions on management integrity and whether the transactions are:-

- (a) Based on normal commercial terms and not more favourable to the related parties than those generally available to third parties dealing on arm's length basis; and
- (b) Not detrimental to the Company's minority shareholders.

Others

9.11. Review all financial related reports/statements as required by the Listing Requirements and all other applicable laws, rules, regulations, requirements and guidelines, for inclusion in the Company's Annual Report.

9.12. Verify allocation of units or options issued pursuant to the various incentive or retention schemes implemented by the Group, if any.

9.13. Obtain regular updates from the management and Compliance Department regarding compliance matters.

9.14. Review findings, queries or investigation by the regulatory authorities, if any.

- 9.15. Review the adequacy and appropriateness of Anti-Bribery and Anti-Corruption Policy and Guidelines, and Whistleblower Policy and Procedure, when necessary; and
- 9.16. Carry out such other duties or functions as may be delegated by the Board from time to time or required by the regulatory authority.

10. AUTHORITY FOR RISK MANAGEMENT MATTERS

10.1. The Committee must, in accordance with a procedure to be determined by the Board and at the cost of the Company:-

- Have explicit authority to investigate any matter within its terms of reference; and
- Have the resources which are required to perform its duties; and
- Have full and unrestricted access to all information and documents which are required to perform its duties; and
- Have full and unrestricted access as well as direct communication channels with the following parties:-
 - i. Management and any of the staff of the Group; and
 - ii. External Auditors of the Group; and
 - iii. Internal auditors of the Group; and
 - iv. Legal counsels of the Group; and
 - v. Company Secretaries of the Group; and
 - vi. Any other advisers of the Group; and
- Obtain external professional advice or other advice and invite persons with relevant experience to attend its meetings, if necessary.

Where the Committee is of the view that any of the matters that are reported to the Board are not satisfactorily resolved, resulting in breach of any laws, rules, regulations, requirements and guidelines such as Listing Requirements, they shall promptly report such matters to the relevant authorities such as Bursa Securities.

11. DUTIES AND RESPONSIBILITIES FOR RISK MANAGEMENT MATTERS

The duties and responsibilities of the Committee are as follows:-

- 11.1. Ensure that an appropriate risk reporting structure is established to facilitate reporting of risks to the Board and the management of the Group; and
- 11.2. Oversee the Group's overall risk management framework, policies and processes; and
- 11.3. Review the risk management framework, policies, processes and strategies of the Group, which include, but not limited to, identifying, managing, monitoring, treating and mitigating

risks of the Group, and recommend to the Board on the necessary changes in the risk management framework, policies and processes for their approval; and

- 11.4. Review and assess the risk exposure, risk appetite and risk tolerance of the Group; and
- 11.5. Review the compliance reports prepared by the Compliance Committee and non-compliance findings by regulatory authorities, and to recommend necessary changes in the risk management framework, policies, processes and strategies to prevent the recurrence of the non-compliance incidents or issues as highlighted in the said compliance reports; and
- 11.6. Review the risks identified by the Group and assess the effectiveness of the mitigating actions which are put in place in managing these risks; and
- 11.7. Review the Statement on Risk Management and Internal Control for inclusion in the Annual Report of the Company, and recommend the same to the Board for approval; and
- 11.8. Ensure that the key risks including, but not limited to, corporate liabilities risks and sustainability risks are effectively managed in accordance with the Group's risk management framework, policies, processes and strategies; and
- 11.9. Review the adequacy of resources of the Group in managing the risks of the Group; and
- 11.10. Review and deliberate reports on non-compliance findings by regulatory authorities; and
- 11.11. Carry out such other duties or functions as may be delegated by the Board from time to time or required by the regulatory authority.

12. REVIEW OF THE WRITTEN TERMS OF REFERENCE

- 12.1. Any amendments to this terms of reference are subject to the deliberation of the Committee, and shall be approved by the Board, if required. This terms of reference will be reviewed and updated periodically in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Committee’s responsibilities.
- 12.2. The written terms of reference will be made available to the public on the Company’s website.

Version History		
Version	Description of Change	Approval Date
00	Initial Issuance	8 February 2023
01	Revision	14 February 2025