



## TERMS OF REFERENCE OF AUDIT AND RISK MANAGEMENT COMMITTEE

### 1. Purpose

- 1.1 The purpose of the Audit and Risk Management Committee (“ARMC” or the “Committee”) is to assist the Board of Directors (“Board”) in ensuring that there is robust oversight on their audit financial reporting, external audit, internal audit and compliance matters concerning Divfex Berhad (formerly known as Diversified Gateway Solutions Berhad) (“DFX” or the “Company”) and its subsidiaries (collectively referred to as the “Group”); and
- 1.2 In the exercise of its functions, it is understood that the ARMC is not delegated with decision-making powers but shall report its recommendations to the Board for decision. The existence of the ARMC does not diminish the Board’s ultimate statutory and fiduciary responsibilities for the decision-making relating to the functions and duties of the Committee.
- 1.3 To assist the Board in establishment, embedding and oversight the ethical policy framework and its value. Ensuring and monitoring the Group’s overall ethical health and compliance level with professional and ethical standards.

### 2. Authority

The ARMC in the performance of its duties, is authorised by the Board, in accordance with a procedure determined by the Board and at the expense of the Group:-

- (a) have authority to investigate any matter within its Terms of Reference;
- (b) have the resources which are required to perform its duties;
- (c) have full and unlimited access to any information and documents pertaining to the Group;
- (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- (e) be able to obtain external, legal or other independent professional advice and secure the attendance of external parties with relevant experience and expertise if it considers necessary; and
- (f) 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 Company, whenever deemed necessary.

### 3. Composition

The Committee members shall be appointed from amongst the Directors who fulfil the following requirements:-

- the Committee must be composed of no fewer than three (3) members;
- all the Committee members must be non-executive directors, with a majority of them being independent directors; and

In this respect, "independent directors" as defined under the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

- at least one (1) member of the Committee:
  - must be a member of the Malaysian Institute of Accountants; or
  - if he/she is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and:
    - ✓ he/she must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
    - ✓ 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
    - ✓ fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.
  - No alternate director shall be appointed as a member of the Committee.

No former key audit partner shall be appointed as a member of the Committee before observing a cooling period of at least three (3) years.

In the event of any vacancy with the result that the number of members is reduced to below three (3), the vacancy shall be filled within three (3) months.

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

### 4. Chairman

The Chairman, who shall be elected among themselves, shall be an independent director and is not the Chairman of the Board.

In the absence of the Chairman of the Committee, the other members of the Committee shall amongst themselves elect a Chairman who must be an independent director to chair the Meeting.

### 5. Secretary(ies)

The Company Secretary(ies) shall be the Secretary(ies) of the Committee.

## 6. Meetings

The Committee shall meet at least five (5) times in each financial year or at a frequency to be decided by the Committee and may regulate its own procedure in lieu of convening a formal meeting by means of video or teleconference. The quorum for a meeting shall be the majority of members present, who shall be independent directors.

The meetings and proceedings of the Committee are governed by the provisions of the Constitution of the Company regulating the meetings and proceedings of the Board in so far as the same are applicable.

The external auditors and the internal auditors have the right to appear at any meeting of the Committee and shall appear before the Committee when required to do so by the Committee. The Committee shall meet with the external auditors at least once in each financial year.

Upon the request of the external auditors, the Chairman must convene a meeting of the Committee to consider any matter the external auditors believe should be brought to the attention of the directors or shareholders.

The Group CEO and Head of Finance shall normally attend the meetings of the Committee. Other Board members and employees may attend any particular meeting upon the invitation of the Committee.

## 7. Minutes

Minutes of each meeting shall be kept at the registered office and distributed to each member of the Committee and also to the other members of the Board. The Chairman of the Committee shall report on each meeting to the Board.

The minutes of the meeting shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next meeting.

## 8. Circular Resolutions

A resolution in writing signed or approved by letter, facsimile, electronic mail or any other means of telecommunication by the majority of the members, shall be as valid and effectual as if it had been passed at a meeting of the Committee. All such resolutions shall be forwarded or otherwise delivered to the Company Secretary(ies) without delay and shall be recorded by the Company Secretary(ies) in the minutes book. Any such resolution may consist of several documents in like forms, each signed by one (1) or more member(s) of the Committee.

## 9. Duties and Responsibilities

### 9.1 Reporting process

- 9.1.1 Evaluate and monitor the financial reporting process and provide assurance that the financial information provided by the Management is relevant, reliable and timely;

- 9.1.2 Review and report the same to the Board the quarterly and year-end financial statements, before the approval by the Board, focusing particularly on:
- (a) changes in or implementation of major accounting policies changes;
  - (b) significant adjustments arising from the audit;
  - (c) significant matters highlighted including financial reporting issues, significant judgments made by the Management, significant and unusual events or transactions, and how these matters are addressed; and
  - (d) compliance with accounting standards and other legal requirements.
- 9.1.3 Review and recommend to the Board for approval, the ARMC Report, Statement on Risk Management and Internal Control and any other statement/report for inclusion in the Annual Report.
- 9.2 External audit function
- 9.2.1 Consider the nomination and appointment of the external auditors, the auditors' remuneration and any matters pertaining to resignation or dismissal of the external auditors, in line with the Company's External Auditor Independence Policy;
- 9.2.2 Assess annually the suitability, objectivity and independence of the external auditors, in line with the Company's External Auditor Independence Policy;
- 9.2.3 Ensure the independence of the Company's external auditors and its ability to conduct its audit without any restriction;
- 9.2.4 Along with the external auditors, review and report the same to the Board, the audit plan in particular the adequacy of existing external audit arrangements with emphasis on the scope;
- 9.2.5 Along with the external auditors, review and report the same to the Board, the evaluation of the system of internal control and the audit report. The Committee shall also ensure that the recommendations given by the external auditors regarding major management and weaknesses are implemented.
- 9.2.6 Review the external auditors' management letter and Management's response;
- 9.2.7 Maintain regularly scheduled meetings between the Board, Senior Management and external auditors which serve as a forum for communication between non-Committee Directors, the Senior Management and external auditors and providing a forum for discussion that is independent of the Management through regularly scheduled meetings;
- 9.2.8 Ensure that the external auditors review a statement with regard to the state of risk management and internal controls of the Group and report the results thereof to the Board; and

9.2.9 Recommend to the Board on the extent and nature of non-audit services (when the non-audit service fee exceeds the audit service fee) that can be carried out by the external auditors and ensure adequacy of checks and balances on the provision of such non-audit services, in line with the Group's External Auditor Independence Policy.

### 9.3 Internal audit function

9.3.1 Ensure the adequacy and integrity of the Group's system of internal controls in carrying out the Group's operations, which includes but not limited to anti-corruption mitigating measures;

9.3.2 Oversee the internal audit function and ensure compliance with relevant regulatory requirements and ensure that the internal audit function is effective and able to function independently;

9.3.3 Review the adequacy of the scope, functions, competency and number of resources of the internal audit function and that it has the necessary authority to carry out its work;

9.3.4 Review the internal audit plan, consider the internal audit reports and findings of the internal auditors, fraud investigation and actions and steps taken by the Management in response to audit findings;

9.3.5 Review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;

9.3.6 Review and endorse the internal audit charter which outlines the purpose, authority and responsibility of the Group's internal audit function;

9.3.7 Review any appraisal or assessment of the performance of the internal audit function;

9.3.8 Recommend to the Board the external advisors to be engaged when the internal audit function lacks expertise needed to perform specialized audit. In such instance, recommend the fees payable, ensure clear establishment of the terms and scope of engagement, and reporting requirements; and

9.3.9 Ensure the internal audit function is carried out in accordance with a recognized framework.

### 9.4 Compliance and integrity function

9.4.1 Ensure transparency, integrity and accountability of the Group's activities so as to safeguard the rights and interests of the shareholders;

9.4.2 Review related party transactions and conflicts of interest situations that arose, persist or may arise within the Group 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;

- 9.4.3 Monitoring compliance with practices of corporate governance and identification of significant non-compliance;
  - 9.4.4 Review the Group's Whistleblowing Policy and monitor the responses to the Group's whistleblowing line and other mechanisms used to raise concerns. The Committee shall also oversee actions following breaches of Code of Conduct and Ethics or allegations of misconduct;
  - 9.4.5 Review audit matters pertaining to the Anti-Corruption and Bribery Policy ("ACBP"), including ensuring the inclusion of ACBP in the Group's internal audit scope and review the effectiveness of the Group's internal control system pertaining to ACBP.
- 9.5** Carry out such other responsibilities, functions or assignments as may be defined jointly by the Committee and the Board from time to time.