



# **TERMS OF REFERENCE**

(Audit and Risk Management Committee)

**Registration NO:**  
**201801043588 (1305620-D))**  
**(Incorporated in Malaysia)**

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REG.NO.201801043588(1305620D)

**HPP HOLDINGS BERHAD**

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

This terms of reference (“**TOR**”) sets out the matters concerning the governance of the Audit and Risk Management Committee (“**ARMC**”). The ARMC was established by the Board of Directors (“**Board**”) of HPP Holdings Berhad (“**HPP**” or “**Company**”) and its subsidiaries (“**Group**”) on 25 November 2019.

**1.0 Objectives**

The primary objective of the ARMC is to establish a documented, formal and transparent procedure to assist the Board in fulfilling its fiduciary responsibilities relating to corporate accounting, financial reporting practices, internal control, the audit process, risk management, related party transactions and the process of monitoring compliance with laws and regulations. The ARMC maintains 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 provide assurance that the financial information presented by the key senior management of the Group (“**Management**”) is relevant, reliable and timely.

The ARMC also assists the Board in fulfilling its responsibilities with respect to:-

- (i) oversight of the Group's risk management framework, including the significant policies and practices used in managing business, market, operational and certain other risks;
- (ii) reviewing the effectiveness of the risk management framework in identifying and managing risks and internal processes which includes but is not limited to ensuring the adequacy of risk management policies and infrastructure to facilitate the implementation of action plans for risk management;
- (iii) reporting to the Board regarding the Group's risk profile, as well as its risk management framework, including the significant policies and practices employed to manage risks in the Group's businesses;
- (iv) oversight of the risk governance processes, including risk measurement, risk monitoring, risk control or mitigation, and risk reporting;
- (v) assess processes and procedures to ensure compliance with all laws, rules and regulations, directives and guidelines established by the relevant regulatory bodies; and
- (vi) carry out any other function that may be mutually agreed upon by the ARMC and the Board.

**2.0 Composition of the ARMC**

**2.1.** The ARMC shall be appointed by the Board from among their number which fulfils the following requirements as pursuant to Rule 15.09 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”)(“**AMLR**”) as follows:-

- (i) the ARMC must consist of no fewer than three (3) members;
- (ii) all of whom must be Non-Executive Directors;
- (iii) a majority of the ARMC must be Independent Non-Executive Directors (“**INEDs**”); and

*In this respect, the Board adopts the definition of “independent director” as defined under the AMLR.*

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- (iv) at least 1 member of the ARMC:-
    - (a) must be a member of the Malaysian Institute of Accountants (“**MIA**”); or
    - (b) if he is not a member of the MIA, he must have at least three (3) years’ working experience and:-
      - he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
      - he must be a member of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
      - he must be a person who fulfils the requirements as prescribed or approved by Bursa Securities and/ or other relevant authorities from time to time.
  - (v) No alternate Director of the Board shall be appointed as a member of the ARMC.
  - (vi) The members of the ARMC shall elect a Chairman from among their number who is an INED. The Chairman of the ARMC shall not be the Chairman of the Board.
  - (vii) The Chairman of the Board shall not be appointed as a member of the ARMC.
  - (viii) Where the Director of the Group is a former key audit partner, he shall not be appointed by the Board to the ARMC until he has observed a cooling-off period of at least three (3) years before one is eligible for appointment as a member of the ARMC.
  - (ix) In the event of any vacancy with the result that the number of members is reduced to below three (3) or there is no Chairman, the vacancy shall be filled within three (3) months. Therefore, a member who wishes to retire or resign should provide written notice of three (3) months to the Group so that a replacement may be appointed before he leaves.
- 2.2.** The ARMC shall also consider the practices and guidance set out in the Malaysian Code on Corporate Governance (“**MCCG**”) which states that the ARMC plays a key role in a Group’s governance structure. An independent ARMC is better positioned to rigorously challenge and ask probing questions on the Group’s financial reporting process, internal controls, risk management and governance.
- 2.3.** The ARMC members shall be financially literate, competent and able to understand matters under the purview of the ARMC including the financial reporting process. All ARMC members shall undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

### **3.0 Authority**

- 3.1.** The ARMC, in accordance with policies and procedures determined by the Board and at the expense of the Group, shall:-
- (i) have explicit authority to investigate any matter within its TOR, the resources to do so, and full access to information. All employees shall be directed to co-operate as requested by members of the ARMC;

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- (ii) have full and unlimited/unrestricted access to all information and documents or resources which are required to perform its duties as well as to the internal and external auditors and Management;
- (iii) have direct communication channels with the external auditors, internal auditors and the Management;
- (iv) obtain other independent professional advice or other advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary at the expense of the Company; and
- (v) where the ARMC is of the view that the matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the AMLR, the ARMC shall promptly report such matter to Bursa Securities.

**4.0 Role of the Chairman of the ARMC**

- 4.1.** The Chairman of the ARMC, who shall be elected by the ARMC, and shall be an INED.
- 4.2.** If the Chairman is absent for holding the meeting, the members may elect one (1) of their numbers to be the Chairman of the meeting.
- 4.3.** Chairman together with other members of the ARMC ensure that:-
  - (i) The ARMC is fully informed about significant matters related to the Group's audit and its financial statements and addresses these matters;
  - (ii) the ARMC appropriately communicate the insight, views and concerns about relevant transaction and events to internal and external auditors;
  - (iii) ARMC's concerns on matters that may have an effect on the financial or audit of the Group are communicated to the external auditor; and
  - (iv) there is co-ordination between internal and external auditors.

**5.0 Secretary**

- 5.1.** The Company Secretary or his/her representative or other appropriate senior officer shall act as Secretary of the ARMC ("**Secretary**") and shall be responsible, in conjunction with the Chairman of the ARMC, for drawing up the agenda together with the relevant papers and circulating it prior to each of the ARMC meeting.
- 5.2.** The Secretary shall attend each ARMC meeting and record the proceedings of the meeting and minute the resolutions.
- 5.3.** The Secretary will be assisting the Chairman of the ARMC in planning and drafting the ARMC's activities for the financial year.
- 5.4.** The Secretary ensures the ARMC's recommendations presented to the Board are supported by explanatory papers, including report of the ARMC or minutes that explains the rationale of the ARMC's recommendations.
- 5.5.** The Secretary shall be responsible for preparing and circulating the minutes of the ARMC meetings promptly to the ARMC members and table the same to the Board for notation.

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- 5.6. The Secretary shall be responsible for ensuring compliance with the AMLR and other applicable rules and regulations.
- 5.7. Significant results and findings from the ARMC's deliberation shall be put in writing and tabled to the Board. The ARMC shall submit an annual report to the Board summarising its activities and significant findings during the year.

**6.0 Meetings and reporting**

- 6.1. The ARMC shall meet at least four (4) times a year, on a quarterly basis, with due notice of issues to be discussed. In addition, the Chairman may call for additional meetings at any time at the Chairman's discretion.
- 6.2. The quorum in respect of a meeting of the ARMC shall be a majority of INEDs present. Two (2) INEDs personally present at a meeting shall constitute a quorum. The ARMC at which a quorum is present is considered to be competent for the exercise of its authorities, powers and discretions vested upon it.
- 6.3. A member of ARMC may participate in a meeting by means of a telephone conference or video conference or any other means of audio-visual communications and the person shall be deemed to be present at the meeting and shall be entitled to vote or be counted in a quorum accordingly.
- 6.4. All decisions at such meeting shall be decided on a show of hands or any other forms of indication to be agreed on a majority of votes of the members present, and in the case of an equality of votes, the Chairman of the ARMC has a second or casting vote, except where two (2) members form a quorum, the chairperson of a meeting at which only such a quorum is present, or at which only two (2) members are competent to vote on the question at issue shall not have a casting vote. In the case of an equality of votes, where two (2) members form a quorum, the meeting shall stand adjourned at another day, time and place when at least three (3) or more members may be present to decide on the issue.
- 6.5. The Secretary shall on the requisition of the members of the ARMC summon a meeting of the ARMC except in the case of an emergency, reasonable notice of every ARMC meeting shall be given in writing.
- 6.6. The ARMC may invite other directors and employees to the meetings to brief the ARMC on issues that are incorporated into the agenda. The internal auditors, the external auditors and Management may attend at any meeting at the invitation of the ARMC.
- 6.7. The ARMC shall meet with the Chief Financial Officer and the Chief Operating Officer without executive Board members or employees present, whenever deemed necessary. Internal auditors may also request a meeting if they consider it is necessary and believe the matter should be brought to the attention of the ARMC and the Board.
- 6.8. The ARMC shall meet with the external auditors without the presence of executive Board members as and when required. Upon the request of the external auditor, the Chairman of the ARMC shall convene a meeting of the ARMC to consider any significant management matter the external auditor believes should be brought to the attention of the both directors and shareholders.
- 6.9. An ARMC member shall excuse him/herself from the meeting during discussion or deliberations of any matter which gives rise to an actual or perceived conflict of interest situation. Where this cause insufficient directors to make up a quorum, the ARMC has the right to appoint another director(s) from the Company which meets the membership criteria.

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**7.0 Circular resolutions**

- 7.1.** A resolution in writing signed or approved by letter, telex, telefax or other written electronic communications by a majority of the ARMC members, for the time being, shall be as valid and effectual as if it had been passed at a meeting of the ARMC duly called and constituted. All such resolutions shall be described as " Circular Resolutions passed by ARMC Members in lieu of ARMC Meeting" and shall be forwarded or otherwise delivered to the Company Secretary without delay and shall be recorded by the Company Secretary in the minutes book. Any such resolution may consist of several documents in like form each signed by one (1) or more ARMC members. Any such document may be accepted as sufficiently signed by an ARMC member if transmitted to the Group by email, facsimile or other electrical or digital written message/application to include a signature of an ARMC member.

**8.0 Duties and responsibilities**

The ARMC, as required by applicable laws, rules, or regulations and otherwise to the extent it deems necessary or appropriate, shall include:-

**8.1. Matters relating to external audit**

- (i) Recommend appointment or re-appointment of external auditors and their audit fees;
- (ii) Monitor the effectiveness of the external auditors' performance and their independence and objectivity; and
- (iii) Review and discuss with the external auditors on the following and report the same to the Board:-
  - (a) the nature, scope and plan of the audit before the audit commences and ensure co-ordination where more than one audit firm is involved;
  - (b) audit report;
  - (c) evaluations of the system of internal controls;
  - (d) the assistance given by the employees to the external auditors;
  - (e) external auditors' report of deficiencies in internal control and management's response thereto;
  - (f) any significant audit findings, reservations, difficulties encountered, or material weaknesses reported by the external auditors;
  - (g) the annual evaluation of the performance of the external auditors, including the suitability, objectivity and independence of the external auditors which takes into consideration the following:
    - the external auditors' ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;
    - the competence, audit quality and resource capacity of the external auditors in relation to the audit;
    - the nature and extent of the non-audit services tendered and the appropriateness of the level of fees; and

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- written assurance from the external auditors confirming that they are, and have been independent through the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirement.
- (iv) Review the external auditor's management letter and management's response;
- (v) Discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of the Executive Directors and Management where necessary); and
- (vi) Review the nature and fees for the provision of non-audit services by the external auditors and approve the acceptance of engagement with the external auditors to perform such non-audit services.

**8.2. Matters relating to internal audit**

- (i) Review with the internal auditors on the following and report the same to the Board:-
- (a) annual audit plan which is risk-based and focused on significant risk areas to ensure adequate scope and comprehensive coverage over the activities of the Group;
  - (b) effectiveness of the internal audit processes as well as the adequacy of resources, competency and the necessary authority for the internal audit function;
  - (c) internal audit report containing the internal audit findings, commentaries and recommendations and to follow-up on remedial actions;
  - (d) ensure the internal audit function is independent of the activities it audits and the internal auditors report directly to the ARMC and review their performance on annual basis. The head of internal audit should have relevant qualifications and be responsible for providing assurance to the ARMC that the internal controls are operating effectively. The internal auditors will be responsible for the regular review and/ or appraisal of the effectiveness of risk management, internal control and governance processes within the Group; and
  - (e) approve any appointment or termination of internal auditors.
- (ii) Take cognisance of resignations of internal auditors and provide the resigning internal auditor with an opportunity to submit his reasons for resigning upon receipt of such notice of resignation;
- (iii) Review the appraisal or assessment of performance of the internal auditors; and
- (iv) Review with the internal auditors on the external auditors' report of deficiencies in internal control and management's response thereto and report the same to the Board.

**8.3. Matters relating to risk management and internal control**

- (i) Review the Statement of Risk Management and Internal Control to be published in the Annual Report and report the same to the Board;

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- (ii) Review and assess the adequacy and effectiveness of internal control systems and risk management policies and framework in identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively;
- (iii) To review the Group's risk profile and risk tolerance and the Group's risk management plans to mitigate business risks as identified from time to time;
- (iv) Assess the adequacy of the business recovery / disaster recovery procedures; and
- (v) Assess processes and procedures to ensure compliance with all laws, rules and regulations, directives and guidelines established by the relevant regulatory bodies.

**8.4. Matters relating to related party transactions and conflicts of interest**

- (i) Review and report to the Board any conflict of interest situation that arose, persist or may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity, and measures taken to resolve, eliminate, or mitigate such conflict;
- (ii) Review and report to the Board any related party transactions entered into by the Company or the Group and to determine if such transactions are undertaken on an arm's length basis and normal commercial terms and on terms not more favourable to the related parties than those generally available to the public, and to ensure that the Board reports such transactions annually to the shareholders via the annual report;
- (iii) To ensure that the Group has adequate procedures and processes in place to monitor and track related party transactions and to review these processes;
- (iv) Report to Bursa Securities, if there is any related party transaction which exceeded the shareholders' mandate and provide full reasoning and detailed explanations. Related party transaction and conflict of interests' situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity.

**8.5. Whistleblowing and fraud**

- (i) To ensure that proper investigations are carried out, on a timely basis, for substantiated cases reported by any whistleblower to the Chairman of the Board or the Chairman of the ARMC, and report the results and conclusion of such investigations, with the appropriate cause of action shall be recommended to the Board for approval, in accordance with the Group's whistleblowing policy and
- (ii) Review the Group's policies and procedures for detecting fraud.

**8.6. Overseeing financial reporting**

- (i) Review and deliberate the quarterly results and year-end financial statements, before the approval by the Board, focusing particularly on:-
  - (a) any changes in or implementation of accounting policies and practices;
  - (b) significant or material adjustments with financial impact arising from the audit;
  - (c) significant matters highlighted including financial reporting issues, significant judgements made by Management, significant and unusual events or transactions, and how these matters are addressed;
  - (d) the going concern assumptions;



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- (e) the appropriateness of Management's selection of accounting policies and disclosures in compliance with approved accounting standards and other regulatory requirements;
  - (f) compliance with applicable financial reporting standards; and
  - (g) litigation that could affect the results materially.
- (ii) Monitor the integrity of the financial statements of the Group;
  - (iii) Assess whether the financial reports represent a true and fair view of the Group's performance and ensure compliance with the regulatory requirements;
  - (iv) To ensure the competency of the accounting staff and adequacy of the resources and infrastructure of the finance function; and
  - (v) To propose best practices on disclosure in the financial statements and the annual reports of the Group, to be in line with the recommendations set out in the MCCG and other applicable rules and regulations.

**8.7. Other matters**

- (i) Prepare an ARMC Report at the end of the financial year for inclusion in the Annual Report in accordance with AMLR;
- (ii) Verify the allocation of shares and/or options pursuant to the share issuance scheme for employees to ensure in compliance with the criteria for allocation of shares and/or options under the share issuance scheme, at the end of each financial year;
- (iii) To report promptly any matters resulting in the breach of AMLR of Bursa Securities to the Board. Where the ARMC is of the opinion that such matter reported by it to the Board has not been satisfactorily resolved, the ARMC shall promptly report such matter to Bursa Securities;
- (iv) To consider other areas as defined by the Board or as may be prescribed by Bursa Securities or any other relevant authority from time to time; and
- (v) Carry out any other function that may be mutually agreed upon by the ARMC and the Board.

**9.0 Rights of the ARMC**

- 9.1.** The ARMC shall, wherever necessary and reasonable for the Group to perform its duties, in accordance with a procedure to be determined by the Board and at the cost of the Group:
- (i) have authority to investigate any matter within its TOR and have the right of direct access to anyone in the Group to conduct a special investigation to be carried out for fraud, violation of code of conduct or an illegal act;
  - (ii) have the resources which are required to perform its duties;
  - (iii) have full and unrestricted access to any information pertaining to the Group;
  - (iv) have direct communication channels with the external auditors and the internal auditors;
  - (v) have the right to obtain independent professional or other advice and to invite outside experts or advisors such as valuers, or tax consultants with relevant experience and expertise to attend the ARMC meetings (if required) and to brief the ARMC at the Group's expense; and
  - (vi) be able to convene meetings with external auditors (without the presence of executive Board members) at least twice a year and whenever deemed necessary.

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The Chairman of the ARMC shall engage on a continuous basis with the Management, such as the Chairman, the Managing Director, the Chief Financial Officer, the Chief Operating Officer, the internal auditors and the external auditors in order to be kept informed of matters affecting the Group.

**10.0 Minutes**

- 10.1. Minutes of each meeting shall be kept at the registered office and distributed to each member of the ARMC and also to the other members of the Board.
- 10.2. The minutes of the ARMC meeting shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.
- 10.3. The ARMC members may inspect the minutes of the ARMC meeting at the registered office or such other place as may be determined by the ARMC.

**11.0 General Meeting**

- 11.1. The Chairman of ARMC should attend the general meeting to provide clarification to shareholders on the ARMC's activities, particularly on matters pertaining to quarterly results and year-end financial statements.

**12.0 Reporting Responsibilities**

- 12.1. The Chairman of the ARMC shall report to the Board on its proceedings after each meeting on all matters with its duties and responsibilities.
- 12.2. The ARMC shall make whatever recommendation to the Board it deems appropriate or any area within its remit where action or improvement is needed.

**13.0 Review of the ARMC**

- 13.1. The term of office and performance of the ARMC and each of its members shall be reviewed annually by the Board; to assess whether the ARMC and its members have carried out their duties in accordance with their TOR. A formal evaluation of the performance of all committee members should be undertaken by the Nomination Committee.

**14.0 Review of the terms of reference**

- 14.1. The TOR of ARMC was first adopted on 25 November 2019 and will be reviewed at least once every three (3) years by the ARMC or as and when there are changes to the MCCG and AMLR that may have an effect on the ARMC's responsibilities. This TOR shall be disclosed on the Company's website.
- 14.2. Any revision or amendment to this TOR, as proposed by the ARMC or any third party, shall first be presented to the Board for its approval.
- 14.3. Upon the Board's approval, the said revision or amendment shall form part of this TOR and this TOR shall be considered duly revised or amended.
- 14.4. This TOR was last reviewed and approved by the Board on 18 July 2024.