

KIP REIT MANAGEMENT SDN BHD
(Registration No. 201501044317 (1169638-M))
(Incorporated in Malaysia)

TERMS OF REFERENCE

OF

AUDIT AND RISK MANAGEMENT COMMITTEE (“ARMC”)
(2021) – as amended from 2020

1.0 COMPOSITION

The Board must appoint the members of the Audit and Risk Management Committee (“ARMC”) from amongst its Directors which fulfils the following requirements:-

- the ARMC must be composed of not fewer than 3 members;
- all the members of the ARMC must be non-executive directors, with a majority of them being independent directors; and
- at least one member of the ARMC -
 - must be a member of the Malaysian Institute of Accountants; or
 - if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years’ working experience and -
 - (i) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - (ii) 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 must be a member of the Malaysian Institute of Accountants; or
 - fulfils such other requirements as prescribed or approved by Bursa Securities
- No alternate director could be appointed as a member of the ARMC.
- In the event of any vacancy in the ARMC resulting in non-compliance of Paragraph 15.19 of the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”), the Board shall ensure that the vacancy is filled within three (3) months from the date of the vacancy.
- The term of office and performance of the ARMC and each of its members shall be reviewed by the Board at least once in every three (3) years to determine whether such Committee and its members have carried out their duties in accordance with their terms of reference.
- A former partner of the external audit firm must observe a cooling-off period of at least three years before being appointed as a member of the ARMC.

2.0 CHAIRMAN

The Chairman of the ARMC shall be an Independent Director elected amongst its members.

3.0 SECRETARY

The Company Secretary shall be the Secretary of the ARMC. The Secretary shall assist in drawing up the meeting agendas in consultation with the ARMC’s Chairman, calling of meetings, issuance of notices of meeting, maintaining the minutes of meetings and ensuring that the proceedings of meetings are properly recorded, minuted and circulated. The minutes of meeting must be prepared no later than three (3) weeks from the meeting date and kept in the minutes book for record purpose.

4.0 MEETINGS

The ARMC shall meet at least four (4) times in a financial year. In addition, the Chairman may at any time call for additional meetings at his discretion.

The ARMC may also invite other directors, officers or employees of the Company and the KIP REIT, internal auditors and external auditors to attend the ARMC meeting. In addition, management or external professionals may also be invited to attend meetings when the agenda calls for their expertise.

The ARMC shall meet the external auditors at least once a year and whenever deemed necessary, without the presence of any executive board member and management.

Questions arising at any meeting of the ARMC shall be decided by a majority of votes of the members present, and in the case of equality of votes, the Chairman of the ARMC shall have a second or casting vote.

5.0 QUORUM

The quorum for the meeting shall be two (2) members, a majority of whom must be independent directors.

6.0 OBJECTIVES

The principal objectives of the ARMC is to assist the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the Company and KIP REIT.

In addition, the ARMC shall:-

- (a) assess and supervise the quality of audit work conducted by the internal and external auditors.
- (b) provide assurance that the financial information presented by management is relevant, reliable and timely;
- (c) oversee compliance with laws and regulations and observance of a proper code of conduct;
- (d) to assist the Board in establishing and maintaining an effective and efficient internal controls for areas of risk as well as safeguarding of assets.
- (e) to review the sufficiency, adequacy and comprehensiveness of the Anti-Bribery Management System (ABMS) in line with the need to mitigate bribery risks.

7.0 AUTHORITY

The ARMC shall, in accordance with a procedure to be determined by the Board and at the cost and expense of the Company or the KIP REIT:-

- (a) be authorised to investigate any activity within its terms of reference and shall have unlimited access to both the internal and external auditors, as well as employees of the Company.
- (b) have direct communication channel with both the external and internal auditors as well as employees of the Company.
- (c) have full and unrestricted access to any information pertaining to the Company or KIP REIT.
- (d) have the authority to obtain independent legal or other professional advice, as and when it considers necessary.
- (e) be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and management, whenever deemed necessary.
- (f) have the power to establish Sub-Audit Committee(s) to carry out special investigations on behalf of the ARMC in such manner, as the ARMC shall deem fit and necessary.

8.0 DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the ARMC is as follows:-

8.1 Risk Management and Internal Control

- (a) To review the adequacy and effectiveness of the risk management, internal control system and management information system of the Company and the KIP REIT;
- (b) To review the extent of compliance with established internal policies, standard plan, procedures, law and regulations;
- (c) To recommend to the Board steps to improve the system of internal control derived from the finding of the internal and external auditors and as recommended by ARMC itself;
- (d) To review and assess the effectiveness of the Group's plans, assumptions, forecasts, projections, including any contingency plan and strategies implemented associated with proposed new business ventures or issues which may impact the Group's overall risk profile;
- (e) To advise the Board on risk policy matters including but not limited to oversight of compliance with the Group's risk management policy, review and/or recommend changes to risk policies for Board approval;
- (f) To review and confirm that the applicable policies, procedures or manuals for individual subsidiaries that set forth the operational processes are aligned with the Group's policy and risk management policy;
- (g) To report to the Board from time to time on the Group's risk appetite and capacity as well as other criteria, which exceeded or triggered the risk tolerance limit;
- (h) To keep abreast with current risk management techniques and theories and any possible or actual changes in the regulatory environment that affects the Group; and
- (i) To ensure resources including but not limited to budget, training, human resources and professional advice, are adequate and have been allocated to support the Group's risk management activities.

8.2 Financial Reporting Review

To review the quarterly and annual financial statements prior to the approval by the Board, focusing particularly on –

- (a) any changes in or implementation of new accounting policies and practices;
- (b) significant adjustments arising from the audits;
- (c) compliance with the applicable approved accounting standards, other statutory and legal requirements; and
- (d) the going concern assumption.

8.3 External Audit

- (a) To assess the performance and effectiveness of the external auditors and to consider and make recommendations to the Board in relation to the appointment, re-appointment and removal of the Company's external auditors;
- (b) To review with the external auditors the nature and scope of the audit plan;
- (c) To review with the external auditors the audit reports;
- (d) To review and monitor the external auditors' independence, objectivity and the effectiveness of the audit process and their services, including non-audit services;
- (e) To review external auditors' findings arising from audits, particularly any comments and responses in management letter as well as the assistance given by the employees of the Company in order to be satisfied that appropriate action is being taken;
- (f) To review with the external auditors the evaluation of the system of internal controls;
- (g) To review with the external auditors the Statements on Internal Control of the Company and KIP REIT for inclusion in the annual report of KIP REIT;
- (h) To review the assistance given by the Management to the external auditors;
- (i) To obtain written assurance from the external auditors 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;
- (j) To review information presented in the Annual Transparency Report of the external audit firm or if not, to engage the audit firm on matters typically included in an Annual Transparency Report covering the audit firm's governance and leadership structure as well as measures undertaken by the external auditor to uphold audit quality and manage risks; and
- (k) To review the appropriateness of audit fees that supports a quality audit.

8.4 Internal Audit

- (a) To review the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
- (b) To evaluate the adequacy, efficiency and effectiveness of the internal controls and the appropriateness of the accounting policies adopted by the Company and the KIP REIT;
- (c) To ensure that the appointed internal auditors are given full access to all the documents relating to the governance, financial statements and operational assessments of the Company and the KIP REIT;
- (d) To review and evaluate factors related to the independence of internal auditors and assist them in preserving their independence;
- (e) To review internal audit programmes and findings arising from audits;
- (f) To review the performance of the internal audit function and report to the Board when necessary; and
- (g) To approve the appointment and removal of the head of the internal audit who reports directly to the ARMC and should have relevant qualifications and be responsible for providing assurance to the Board that the internal controls are operating effectively.

8.5 Conflicts of Interest Situations and Related Party Transactions

- (a) To review any related party transaction and conflict of interests situation that may arise within the Company and / or the KIP REIT including any transaction, procedure or course of conduct that raises questions of management integrity; and
- (b) To ensure that the Company has clear lines drawn with respect to the use of the assets of the Company and the KIP REIT and related party transaction.

8.6 Anti-Bribery Management System

- (a) To review and obtain approval from the Board of Directors for the organisation’s Anti-Bribery and Corruption (“ABC”) policy, disciplinary procedures and related documentation;
- (b) To ensure the Company and KIP REIT’s strategy are aligned to the ABC Policy;
- (c) To receive and review information about the contents and operations of the ABMS at quarterly basis and order an annual review of the ABMS to ensure the system is kept robust and up to date;
- (d) To require that adequate and appropriate resources needed for the effective operations of the ABMS are allocated and that the Compliance Department has the necessary status and authority to fulfil its responsibilities; and
- (e) To oversee the ABMS to assure its operational effectiveness and efficiency from bribery risks and encourage legal and regularity compliance.

8.7 Other Matters

In addition to the above, the ARMC shall:-

- (a) have access to sufficient resources to carry out its duties;
- (b) be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members;
- (c) be responsible for co-ordination of the internal and external auditors;
- (d) oversee any investigation of activities which are within its terms of reference;
- (e) review the basis of allocation of the Company’s ESOS annually, where applicable; and
- (f) carry out any other function that may be assigned by the Board when deemed necessary.

9.0 REVIEW OF TERMS OF REFERENCE (“TOR”)

This TOR shall be reviewed from time to time.
