

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

In compliance with the Paragraph 15.15(1) of the MMLR, the Board is pleased to present this Audit and Risk Management Committee Report which provides insights as to the manner the ARMC discharged its responsibilities in KIP REIT during FYE 2023.

COMPOSITION AND MEETINGS

The ARMC is entrusted to support the Board in discharging its statutory duties and responsibilities pertaining to the scope of financial reporting, risk management and internal controls, external and internal audit function, related parties transactions as well as the ABMS.

As at 30 June 2023, the composition of the ARMC is as follows: -

Membership	Name	Directorship	Meeting Attendance
Chairman	Mr. Chiam Tau Meng	Independent Non-Executive Director	7/7
Member	Datuk Mohamed Arsad bin Sehan	Independent Non-Executive Director	7/7
Member	Datuk Dr Syed Hussain bin Syed Husman, PJN. JP	Chairman/Senior Independent Non-Executive Director	7/7

In compliance with Paragraph 15.09(1) of the MMLR, the ARMC comprises three (3) Independent Non-Executive Directors and led by Mr. Chiam Tau Meng. Mr. Chiam is currently an Associate Chartered Accountant with Chartered Accountants Australia and New Zealand, and a Chartered Accountant with the MIA. To advocate the best practice as per MCCG, none of the members of the ARMC was previously a partner in PricewaterhouseCoopers PLT ("PwC"), the External Auditors of KIP REIT, nor do they have any financial interest in PwC in the previous three (3) years.

To ensure an effective discharge of responsibilities, the ARMC is guided by its Terms of Reference, outlining the relevant meeting proceedings, objective, authority as well as functions and duties. The Terms of Reference is published on KIP REIT's website at <https://www.kipreit.com.my/corporate-governance>.

Whilst the ARMC is required to meet at least four (4) times in each financial year, the ARMC had convened seven (7) meetings during FYE 2023. All the ARMC meetings were held virtually during FYE 2023. Ms. Hii Wei Bing, our former Chief Financial Officer, and Ms. Tan Jo Lynn, our Financial Controller, attended all ARMC meetings during their respective tenures in office to facilitate direct communication in the meetings by providing clarification and further information on operations, financials and audit related matters. When necessary, other Board members, designated representatives from the Senior Management, External Auditors and Internal Auditors may also attend the ARMC meetings on the invitation by the ARMC.

The Company Secretary ensures that meeting agenda and materials were distributed to the ARMC members seven (7) days prior to the scheduled meeting to ensure that all the ARMC members have sufficient time to peruse the relevant matters so as to facilitate their deliberation and decision-making process during the meetings. During FYE 2023, the Company Secretary also attended all ARMC meetings to record the proceedings of each meeting and tabled the meeting minutes at the subsequent ARMC meeting for confirmation, which then be presented to the Board for notation.

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SUMMARY OF ACTIVITIES OF THE ARMC

In line with the Terms of Reference, the ARMC has discharged its responsibilities by carrying out the following key activities during the FYE 2023: -

(A) Financial Reporting

- (i) In accordance with KIP REIT's Finance Department Policy, ensured that the following processes and controls are in place for an effective financial reporting function: -
 - Verification and approval of financial transactions in accordance with prescribed authority matrix;
 - Execution of proper month end closing according to the stipulated checklist and timeline;
 - Preparation and review of annual budget and cash flow projection within the stipulated timeframe; and
 - Consultations from Company Secretary and External Auditors to ensure the compliance with the MMLR and relevant disclosure requirements.
- (ii) Confirmed the minutes of previous ARMC meetings. Significant issues and status on follow-up actions to rectify them were highlighted to the Board accordingly;
- (iii) Reviewed and deliberated on the quarterly financial results and annual audited financial statements prior to submission to the Board for consideration and approval. Both the quarterly financial results and audited financial statements were made in compliance with the Deeds, REIT Guidelines, applicable Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS"), Companies Act 2016 and MMLR;
- (iv) Discussed and considered key audit matters with External Auditors to satisfy that KIP REIT's financial results and reports had complied with relevant accounting standards and regulatory requirements and recommended the same to the Board for approval;
- (v) Discussed with both the management and the External Auditors on the accounting policy, principles and standards applied as well as their judgement of the items that may affect the financial statements as well as issues arising from the statutory audit;
- (vi) Deliberated on the quarterly solvency test and recommend the appropriate income distribution for the Board's approval; and
- (vii) Reviewed the quarterly rolling forecast, 5-year rolling strategic plan annual budget before recommending for the Board's notation and approval.

(B) External Audit

- (i) Reviewed the Audit Plan for FYE 2023 presented by the External Auditors, detailing the areas of technology integrated audit approach, audit scope, potential key audit matters, target audit timeline, audit procedures and proposed audit fee prior to the commencement of audit during ARMC meeting held on 19 April 2023 and recommended the same for the Board's approval;
- (ii) Discussed and considered the audit findings and adjustments with the External Auditors;
- (iii) Discussed on the judgements and accounting estimates which had been reviewed and evaluated by the External Auditors;
- (iv) Reviewed the provision of non-audit services to be rendered by the External Auditors;
- (v) Conducted two (2) private meetings with the External Auditors on 28 July 2022 and 19 April 2023 respectively, without the presence of Executive Directors and management, to discuss over audit procedures and key audit issues in an objective manner; and
- (vi) Evaluated the independence and performance of External Auditors, by taking the considerations of qualifications, experience, objectivity, competency, resources and reliability, and have recommended to the Board for their re-appointment.

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(C) Internal Audit

- (i) Reviewed and approved internal audit plan presented by the Internal Auditors, outlining the proposed audit scope, areas, objective, timeline, key risk and fees;
- (ii) Reviewed and deliberated on the internal audit report, covering the audit findings, key risks, proposed recommendations for improvements as well as the management's responses for action plan to be taken and target implementation timeframe. The Internal Auditor also presented the follow-up status on the previous audit findings to the ARMC in order to ensure that deficiencies identified are addressed accordingly;
- (iii) Conducted two (2) private meetings with the Internal Auditors on 26 October 2022 and 19 April 2023 respectively, without the presence of Executive Directors and management, to discuss over the internal audit procedures in an objective manner; and
- (iv) Evaluated the independence and effectiveness of Internal Auditors and have recommended to the Board for their re-appointment.

Further details of the activities performed by the Internal Auditors are included in the Statement on Risk Management and Internal Controls within this Annual Report.

(D) Risk Management and Internal Control

- (i) Reviewed KIP REIT's Risk Register and deliberated on the RMWG meetings minutes together with the corresponding Risk Management Report;
- (ii) Reviewed the KIP REIT's performance of the ABMS;
- (iii) Evaluated the effectiveness of KIP REIT's risk management procedures by the RMWG for the FYE 2023, covering the consideration of risk appetite, risk profile and risk management framework; and
- (iv) Concurred on the proposed amendments to reduce the frequency of RMWG meetings from quarterly to semi-annually to improve the operational efficiency;

(E) Related Party Transactions ("RPT")

- (i) Reviewed any RPT entered into and any potential conflict-of-interest situations that may arise on a quarterly basis in accordance with KIP REIT's RPT Paper, the REIT Guidelines and the MMLR, and report the same to the Board for their notation. The key principle to be considered during RPT review include: -
 - The RPT should be in the best interest of KIP REIT;
 - The RPT should not be less favourable to KIP REIT than an arm's length transaction between independent parties;
 - The RPT should be compared with at least two (2) other contemporaneous transactions with unrelated third parties, wherever practicable;
 - The RPT should be appropriately approved and disclosed in compliance with the REIT Guidelines, Deeds and the MMLR;
 - The RPT should be abstained from voting at the Board meetings for interested parties; and
 - The RPT should be properly documented.

During FYE 2023, the ARMC has ensured that all RPT were carried out at arm's length and under normal commercial terms with proper disclosure.

(F) Annual Report

- (i) Reviewed the Audit and Risk Management Committee Report, Statement on Risk Management and Internal Control, and draft audited financial statements prior to submission for the Board's approval for inclusion in the Annual Report 2022.

(G) Other Matters

- (i) Reviewed KIP REIT's existing investment policy; and
- (ii) Reviewed and deliberated on proposed acquisition of KIPMall Kota Warisan and recommended the same for the Board's approval.

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INTERNAL AUDIT FUNCTION

The Manager considers the internal audit function as an integral and important part of KIP REIT's governance process and has outsourced its internal audit function to an independent professional firm, Baker Tilly Monteiro Heng Governance Sdn Bhd. This arrangement shall ensure an effective review on KIP REIT's internal control system in an independent and objective manner.

The Internal Auditors are free from any relationships or conflicts of interest which could impair their objectivity and independence. The qualification and the experience of the Internal Auditors have also been outlined in the CG Statement within this Annual Report.

During FYE 2023, the Internal Auditors have executed four (4) internal audit reviews and four (4) follow-up reviews in the following areas: -

Internal Audit Review Area	Coverage Period
Mall Facility Management	Quarter 1, FYE 2023
Asset Enhancement and Refurbishment	
Follow-up Review on Leasing and Tenant Management	
Follow-up Review on Billing and Credit Control Management	
Business Continuity Management Plans	Quarter 3, FYE 2023
General IT & Application Controls	
Follow-up Review on Mall Facility Management	
Follow-up Review on Asset Enhancement and Refurbishment	

In an effort to uphold the highest level of integrity, the Internal Auditor is authorised to report directly to the ARMC. During the FYE 2023, the Internal Auditor performed the audit review with reference to the International Standards for the Professional Practice of Internal Auditing, which forms part of the IPPF by the IIA. Depending on the scope of works, three (3) to four (4) Internal Auditors, including an experienced Team Lead, will usually be assigned to carry out the internal audit work.

The Internal Auditor then presented the audit findings and the corresponding proposed recommendations to the ARMC in the scheduled meetings for their review and deliberation. The Internal Auditor also reported the status of the follow-up reviews on the previous audit performed to assist the ARMC in monitoring the implementation of corrective actions within the target timeframe by the management. This shall ensure an on-going assessment and monitoring on KIP REIT's risk management and internal control system.

The total professional fee incurred on the internal audit function for the FYE 2023 amounted to RM78,000 (FYE 2022: RM70,200).

This Audit and Risk Management Committee Report was approved by the Board on 24 July 2023.