



POWERWELL HOLDINGS BERHAD
Registration No. 200101009151 (544907-X)
(Incorporated in Malaysia)

TERMS OF REFERENCE OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

Constitution

The Board of Directors (“the Board”) of Powerwell Holdings Berhad (“Powerwell” or “the Company”) has established an Audit Committee on 8 January 2019 and has restructured it to the existing Audit and Risk Management Committee through a Board Resolution duly passed on 27 June 2019.

Objective

- a) The Audit and Risk Management Committee is to serve as a focal point for communication between the Directors, external auditors, internal auditors and the Management on matters regarding accounting, reporting and controls.
- b) The Audit and Risk Management Committee is to assist the Board in fulfilling its fiduciary responsibilities for ensuring quality, integrity and reliability of the practices of the Company and its subsidiaries (collectively referred to as “the Group”).
- c) The Audit and Risk Management Committee will reinforce the independence of the Group’s external and internal auditors.
- d) The Audit and Risk Management Committee is to assess the suitability, objectivity and independence of the external auditors.

Membership

- a) The Audit and Risk Management Committee shall comprise at least three (3) directors.
- b) No alternate directors shall be appointed to the Audit and Risk Management Committee.
- c) All the Audit and Risk Management Committee members must be non-executive directors, with a majority of them being independent directors.
- d) No former audit partner of the Company’s external auditors shall be appointed to the Audit and Risk Committee unless he has observed a cooling-off period of at least three (3) years before being appointed as a member of the Audit and Risk Committee.
- d) At least one member of the Audit and Risk Management Committee:-
 - 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 three (3) years working experience; and
 - he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
 - he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967; or
 - Fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad, i.e. having:
 - either one (1) of the following qualifications and at least three (3) years’ post-qualification experience in accounting or finance:
 - (i) a degree/masters/doctorate in accounting or finance; or

- (ii) a member of any professional accounting organisation which has been admitted as a full member of the International Federation of Accountants; or
 - at least seven (7) years' experience being a chief financial officer of a company or having the function of being primarily responsible for the management of the financial affairs of a company.
- f) Members of the Audit and Risk Management Committee shall elect a Chairman who shall be an Independent Non-Executive Director, from among themselves.
- f) The term of office and performance of the Audit and Risk Management Committee and each of its members shall be reviewed by the Nomination Committee annually.
- g) In the event of any vacancy in the Audit and Risk Management Committee resulting in the number of members is reduced to below three (3), the vacancy must be filled within three (3) months.

Functions

The key functions of the Audit and Risk Management Committee are to review the interim quarterly results and the annual audited financial statements and to make the appropriate recommendations to the Board.

The Audit and Risk Management Committee will review the reports of the internal auditors as well as those of the external auditors and to instruct management to take the appropriate actions to rectify whatever shortcomings reported. All significant breaches especially those in contravention of existing rules and regulations and laws will be reported to the Board and the regulatory authorities where appropriate.

The Audit and Risk Management Committee will review related party transactions and conflict of interest situation that arose, persist or may arise on a quarterly basis to ensure that such transactions are not at a disadvantage to the Group and where required, have the prior approval of the disinterested shareholders at a general meeting.

The Audit and Risk Management Committee will also review the adequacy of the internal controls and assist in identifying risks, to ensure any inadequacies of internal controls and risks are rectified or mitigated.

The Audit and Risk Management Committee will review the Group's risks, approve the risk management framework and policy and oversee the Company's strategic risk management and internal control framework to achieve its objectives within an acceptable risk profile as well as safeguard the interest of stakeholders and shareholders and the Group's assets.

Procedures

The Audit and Risk Management Committee shall regulate its procedures as follows:-

- a) The Audit and Risk Management Committee shall hold at least four (4) meetings in each financial year;
- b) A member of the Audit and Risk Management Committee may at any time summon a meeting of the Audit and Risk Management Committee;
- c) Notice calling for a meeting of the Audit and Risk Management Committee shall be given to its members at least three (3) days before the meeting or at shorter notice as the Audit and Risk Management Committee members shall determine or agree;

- d) The quorum necessary for the transaction of business at an Audit Committee meeting shall be two (2) and the majority of members present must be independent directors;
- e) Questions arising at any Audit and Risk Management Committee meeting shall be decided by the majority vote of its members present. In case of an equality of votes, the Chairman of the meeting shall have a second or casting vote; and
- f) Minutes of each Audit and Risk Management Committee meeting shall be kept by the Company Secretary.

Authority

The Audit and Risk Management Committee is authorised by the Board to investigate any activity within its terms of reference and shall have adequate resources and unrestricted access to any information from both internal and external auditors and all employees of the Group in performing its duties. The Audit and Risk Management Committee is also authorised by the Board to obtain external legal or other independent professional advice and to invite outsiders with relevant experience to attend, if necessary.

The Audit and Risk Management Committee is also authorised to convene meetings with external auditors, the internal auditors or both, without other board members and employees present, whenever deemed necessary.

Duties and Responsibilities

The duties and responsibilities of the Audit and Risk Management Committee shall be:-

- a) To recommend the nomination of a person or persons as external auditors and review any letter of resignation from external auditors;
- b) To review with the external auditors, the audit plan and audit report;
- c) To review with the external auditors, the evaluation of the system of internal controls;
- d) To review the assistance given by the employees of the Company to the external auditors;
- e) To review the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
- f) To 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;
- g) To review the quarterly results and year-end financial statements, prior to the approval by the board of directors, focusing particularly on:-
 - (i) changes in or implementation of major accounting policy changes;
 - (ii) significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions, and how these matters are addressed; and
 - (iii) compliance with accounting standards and other legal requirements.
- h) To review any related party transaction and conflict of interest situation 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; and
- i) To review whether there is reason (supported by grounds) to believe that the Group's external auditors are not suitable for re-appointment;

- j) To verify the allocation of options pursuant to a share scheme for employees, if any, at the end of each financial year and to prepare a statement verifying such allocation in the annual reports;
- k) To assist the Board in fulfilling its responsibility with respect to evaluating, reviewing and monitoring the Group's risk management framework and activities on on-going basis.
- l) To review the effectiveness of internal control systems deployed by the Group to address those risks; and
- m) To review and further monitor principal risks that may affect the Group directly or indirectly and if deemed necessary, recommend additional course of action to mitigate such risks and to assess the actual and potential impact of any failing or weakness, particularly those related to financial performance or conditions affecting the Group.