

# **MALAYAN FLOUR MILLS BERHAD**

## **TERMS OF REFERENCE OF AUDIT & RISK MANAGEMENT COMMITTEE**

### **1. Composition**

- a. The Committee shall be appointed by the Board of Directors and shall consist of not less than 3 members, all of whom shall be non-executive directors, with a majority of them being independent directors.
- b. The members of the Committee shall elect a Chairman from amongst themselves who shall be an independent director.
- c. At least 1 member of the Committee:
  - i. must be a member of the Malaysian Institute of Accountants; or
  - ii. if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and
    - (aa) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
    - (bb) he must be a member of one of the associations or accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
  - iii. fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa Securities").
- d. Any former key audit partner shall observe a cooling-off period of at least 2 years before being appointed as a member of the Committee.
- e. Where the members of the Committee for any reason be reduced to below 3, the Board of Directors shall within 3 months of that event, appoint such number of new members as may be required to make up the minimum number of 3 members.
- f. The Nomination Committee shall review the term of office and performance of the Committee and each of its members annually to determine whether such Committee and its members have carried out their duties in accordance with their Terms of Reference.

### **2. Meetings**

- a. Meetings shall be held no less than 4 times a year although additional meetings may be called at any time at the discretion of the Chairman.
- b. Upon the request of the external auditors, a meeting is to be convened to consider any matter the external auditors believe should be brought to the attention of the directors or shareholders.
- c. The Chief Executive Officer, Chief Financial Officer and the Head of Internal Audit & Risk Management shall attend meetings at the Committee's request. Other members of the Board of Directors may also attend the meetings upon invitation by the Committee.
- d. Representatives of the external auditors shall attend meetings no less than 2 times a year where matters relating to the audit of the statutory financial statements are to be discussed.

- e. The Committee shall meet with the external auditors without the presence of any executive directors and employees of the Company at least once a year.
- f. The Chairman of the Committee shall report on each meeting to the Board of Directors.
- g. The meeting papers shall be furnished to all members of the Committee prior to the meeting.
- h. Minutes of each meeting shall be distributed to each member of the Committee.

### **3. Quorum**

The quorum for any meeting of the Committee shall consist of not less than 2 members comprising majority of independent non-executive directors.

### **4. Secretary**

The Company Secretary of the Company shall be the secretary of the Committee.

### **5. Authority**

The Committee shall have the following authorities:

- a. Investigate any matters within its Terms of Reference;
- b. Obtain independent professional or other advice as it considers necessary;
- c. Have necessary resources which are required to perform its duties;
- d. Have full and unrestricted access to any information and documents pertaining to the Group;
- e. Direct communication channels with the external and internal auditors;
- f. Convene meetings with the external auditors, the internal auditors or both, without the attendance of other directors and employees, whenever deemed necessary; and
- g. Promptly report to Bursa Securities on matters which have not been satisfactorily resolved and resulted in a breach of the Main Market Listing Requirements of Bursa Securities.

### **6. Duties and Responsibilities**

The duties and responsibilities of the Committee are as follows:

- a. Risk Management & Internal Control
  - i. The primary objective of the Committee is to assist the Board of Directors in the discharge of its statutory and fiduciary responsibilities by identifying significant risks and ensuring that the Group Risk Management Framework (“RMF”) includes the necessary policies and mechanisms to manage the overall risk exposures of the Group.

- ii. Provide oversight, direction and counsel to the risk management process, specifically to ensure that appropriate risk management policies, guidelines and processes are implemented and to consider whether response strategies (and contingency plans) to manage or mitigate material risks are appropriate and effective given the nature of the identifiable risks.
- b. Financial Reporting
- i. Review and evaluate financial and accounting policies and adequacy of management controls instituted.
  - ii. Review the quarterly results and year-end financial statements, before the approval by the Board of Directors, focusing particularly on:
    - Any changes in or implementation of major accounting policy changes;
    - Significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed; and
    - Compliance with applicable accounting standards and other legal and regulatory requirements.
- c. Internal Audit & Risk Management function
- i. To ensure the maintenance of an Internal Audit & Risk Management Department and review the adequacy of the internal audit & risk management scope, functions, competency and resources and that it has the necessary authority to carry out its work.
  - ii. To review the Internal Audit & Risk Management reports and to ensure that appropriate and prompt remedial action is taken by the management based on agreed recommendations.
  - iii. To recommend the appointment, transfer or dismissal of the Internal Audit & Risk Management staff.
  - iv. To approve the remuneration of the Head of Internal Audit & Risk Management.
  - v. To approve the budget for the Internal Audit & Risk Management Department.
  - vi. To approve the Audit Plan and review performance in relation to the Plan.
  - vii. To undertake Quality Assurance Review of the Internal Audit & Risk Management function to ensure that its core competencies are adequate.
- d. External Auditors
- i. To review with the external auditors, their audit plan, evaluation of the system of internal controls and audit report.

- ii. To evaluate the quality of external auditors and make recommendation concerning their appointment, re-appointment, resignation and dismissal.
- iii. To review and monitor the suitability and independence of the external auditors.
- iv. To review major audit findings and opinions of the external auditors and the management's responses.
- v. To review the assistance given by the Group's officers to the external auditors.

e. Conflict of Interest and Related Party Transactions

Review the related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity.

f. Sustainability Report

Review the effectiveness of the Group's strategies, policies, principles and practices relating to sustainability and operational excellence on a regional-wide basis, including whether these strategies, policies, procedures and processes promote the Group's sustainability agenda.

g. Governance

- i. Oversee the implementation of the Anti-Corruption policies and procedures of the Group and review the policies and procedures at least once every 3 years to assess their effectiveness.
- ii. Review the Whistle Blowing policies and procedures of the Group at least once every 3 years to assess their effectiveness.
- iii. Review the Audit & Risk Management Committee Report and Statement on Risk Management and Internal Control, prior to the approval by the Board of Directors for inclusion in the Annual Report.
- iv. Review the Terms of Reference of the Committee from time to time, prior to the approval by the Board of Directors for the revised terms.
- v. Review compliance with government regulations.

h. Other Matters

Consider and examine such other matters as the Committee considers appropriate or as authorised by the Board of Directors.

## **TERMS OF REFERENCE OF NOMINATION COMMITTEE**

### **1. Composition**

The Committee shall comprise exclusively of non-executive directors, a majority of whom must be independent. The Committee shall have at least two directors. It shall be chaired by an independent non-executive director.

### **2. Duties and Responsibilities**

The duties and responsibilities of the Committee are as follows:

- a. To review regularly the Board structure, size and composition, and make recommendations to the Board with regard to any adjustments that are deemed necessary and to recommend Directors to Committees of the Board.
- b. To be responsible for identifying and nominating candidates for the approval of the Board to fill Board vacancies as and when they arise as well as put in place plans for succession, in particular, of the Chairman and the Managing Director.
- c. To review the required mix of skills and experience and other qualities and competencies which Non-Executive Directors should bring to the Board and to assess the effectiveness of the Board, committees of the Board and contributions of Directors of the Board.
- d. To review the balance between Executive and Non-Executive Directors and to ensure at least one third (1/3) of the Board is comprised of Independent Directors in compliance with the Listing Requirements.
- e. To recommend to the Board for the continuation (or not) in service of an Executive Director as an Executive or Non-Executive Director.
- f. To recommend Directors who are retiring by rotation to be put forward for re-election.
- g. To recommend to the Board the employment of the services of such advisers as it deems necessary to fulfill its responsibilities.

## **TERMS OF REFERENCE OF REMUNERATION COMMITTEE**

### **1. Composition**

The Committee shall comprise mainly of non-executive directors with at least two directors. It shall be chaired by a non-executive director.

### **2. Duties and Responsibilities**

The duties and responsibilities of the Committee are as follows:

- a. To determine and agree with the Board the framework or broad policy for the remuneration of the Company's or Group's Chief Executive, and other senior management staff of the Company or Group.
- b. To determine and recommend to the Board any performance related pay schemes for the Company or Group.
- c. To determine the policy for and scope of service agreements for the executive directors, termination payments and compensation commitments.
- d. To oversee any major changes in employee remuneration and benefit structures throughout the Company or Group.
- e. To produce an annual report of the Committee's remuneration policy for Board members which will form part of the Company/Group's annual report and accounts.
- f. To recommend to the Board the appointment of the services of such advisers or consultants as it deems necessary to fulfill its responsibilities.