

ASM AUTOMATION GROUP BERHAD
[Registration No. 202401033717 (1579565-M)]

TERMS OF REFERENCE OF AUDIT AND RISK MANAGEMENT COMMITTEE

Adopted by Board on: 24 September 2024

1. OBJECTIVES

The primary function of the Audit and Risk Management Committee ("**the Committee**") formed by the Board of Directors ("**Board**") of ASM Automation Group Berhad ("**the Company**") is to assist the Board in fulfilling its statutory and fiduciary responsibilities relating to the financial reporting practices, internal controls system, risk management framework as well as sustainability initiatives of the Company and its subsidiaries ("**the Group**"). In addition, the Committee shall:-

- (a) evaluate the quality of the audit performed by the external and internal auditors;
- (b) ensure the financial information presented by the Management is relevant, reliable and timely;
- (c) oversee the financial reporting process is complied with applicable law and regulations, and observance of a proper code of conduct;
- (d) determine the adequacy, quality and effectiveness of the Group's control environment; and
- (e) assess and monitor the key risk areas to safeguard the Group's assets and the interest of the stakeholders.

2. COMPOSITION OF THE COMMITTEE

- 2.1 The members of the Committee shall be appointed by Board amongst its Directors and shall comprise at least three (3) members, all of whom must be Independent Non-Executive Directors.
- 2.2 The chairman of the Board shall not be appointed as a member of the Committee.
- 2.3 No Alternate Director shall be appointed as a member of the Committee.
- 2.4 All members of the Committee should be financially literate and have sufficient understanding of the Company's business and must be able to read, analyse, interpret and understand financial statements, and ask pertinent questions about the Company's reporting process.
- 2.5 At least one (1) member of the Committee:-
 - (a) must be a member of the Malaysian Institute of Accountants ("**MIA**") or
 - (b) if he/she is not a member of the MIA, he/she must have at least three (3) years' working experience; and
 - (i) he/she must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - (ii) he/she 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
 - (c) fulfils such other requirements as prescribed by Bursa Malaysia Securities Berhad ("**Bursa Securities**").
- 2.6 A former partner of the external audit firm and/or the affiliate firm (including those providing advisory services, tax consulting, etc.) of the Company or any entity within the Group is required to observe a cooling period of at least three (3) years before being appointed as a member of the Committee.

- 2.7 The term of office, the effectiveness and performance of the Committee and each of its members shall be reviewed by the Nomination Committee annually to determine whether the Committee and its members have carried out their duties in accordance with this Terms of Reference.
- 2.8 The appointment of a member of the Committee shall automatically be terminated if the member ceases to be a Director of the Company for any reason whatsoever or as determined by the Board. Member of the Committee may relinquish their membership with prior written notice to the Board.
- 2.9 In the event of any vacancy in the Committee resulting in the total number of members falling below three (3), the vacancy shall be filled as soon as possible, but shall not be later than three (3) months of that event.

3. CHAIRPERSON

- 3.1 The Chairperson of the Committee ("**Chairperson**") shall be an Independent Non-Executive Director.
- 3.2 In the absent of the Chairperson or if he/she is not present at any Committee meeting within fifteen (15) minutes of the time appointed for holding the same, the members of the Committee present shall elect a Chairperson amongst themselves to chair the meeting.

4. SECRETARY

- 4.1 The Company Secretary of the Company shall be the Secretary of the Committee.
- 4.2 The Secretary, in consultation with the Chairperson, shall draw up the agenda of the meeting. The agenda, together with the relevant meeting materials, shall be circulated at least five (5) business days or shorter notice where it is unavoidable, prior each meeting to the members of the Committee.

5. QUORUM AND MEETING PROCEDURES

- 5.1 The Committee shall meet at least four (4) times per year, or more frequently as circumstances require. The Chairperson may call for additional meetings at any time at the discretion of the Chairperson.
- 5.2 Reasonable notice of every meeting shall be given in writing and served to the Committee members either personally or by fax, e-mail, post or courier to his/her address in the Register of Directors or to the address provided by the Committee members, except in the case of emergency, where the Committee may waive such requirement.
- 5.3 The quorum for the meeting shall be two (2) members. No business shall be transacted unless a quorum is present either in person or by telephone, television, video conferencing or any other audio and/or visual device which permits instantaneous communication.
- 5.4 If any member is unable to be physically present, Member may participate in a meeting of the Committee by means of a telephone conference, video conference or any other electronic telecommunication device which allows all persons participating in the meeting to communicate with each other. Any member so participating in a meeting shall be deemed to be present in person at such meeting and shall be entitled to vote or be counted in a quorum accordingly.

- 5.5 The main venue of the meeting shall be the place where the Chairperson of the meeting is present. A Committee meeting may be held at two (2) or more venues within or outside Malaysia using any technology that enables all Committee members as a whole to participate for the entire duration of the virtual meeting, provided the following conditions are met:
- (a) all the Committee members for the time being entitled to receive notice of the Committee meeting shall be entitled to receive notice of a virtual meeting. Notice of any such meeting shall be given by an appropriate form of technology (or in such other manner) as may be permitted by the Constitution of the Company; and
 - (b) a Committee member may not leave a virtual meeting by disconnecting from the technology used unless he/she has previously expressly notified the Chairman of the meeting of his/her intention to leave the meeting and a Committee member shall be conclusively presumed to have been present and have always formed part of the quorum during such a meeting until such notified time of his/her leaving the meeting.
- 5.6 A matter put to vote at the Committee meetings shall be decided by a simple majority of the votes. In the event of an equality of votes, the Chairperson has the casting vote. However, the Chairperson shall not have a casting vote when only (2) members of the Committee form a quorum or when only two (2) members are competent to vote on the question at issue.
- 5.7 The Committee may, as and when deemed necessary, invite any Board member(s) or any member(s) of management or any employee(s) of the Company, who the Committee thinks fit, to attend its meetings to assist and provide pertinent information as necessary.
- 5.8 A member of the Committee who has an interest or is involved directly or indirectly in any matter which may give rise to an actual or perceived conflict of interest ("**COI**") situations under consideration by the meeting, shall declare his/her interest in the matters and abstain from deliberating and voting.

6. MINUTES

- 6.1 Minutes of each meeting shall be signed by the Chairperson of the meeting at which proceedings were held or by the Chairperson of the next succeeding meeting.
- 6.2 The duly signed minutes shall be kept at the Company's registered office and made available for inspection by any Committee member(s) or Board member(s) upon request.
- 6.3 The minutes of each Committee meeting shall be circulated promptly to all members of the Committee for approval and table the same to the Board members for notation.

7. CIRCULAR RESOLUTION

A resolution in writing signed or approved by letter or other written electronic communications by the majority of the members who are sufficient to form a quorum, shall be valid and effectual as if it had been passed at a meeting. All such resolutions shall be described as "Audit and Risk Management Committee Members' Written Resolution(s)" 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 members.

8. REPORTING

The Committee, through its Chairperson, shall report a summary of proceedings of each meeting and significant matters to the Board at the next Board meeting after each Committee meeting. When presenting any recommendations to the Board for approval, the Committee will provide such background and supporting information as may be necessary for the Board to make an informed decision.

9. AUTHORITY

The Committee shall in accordance with a procedure to be determined by the Board and at the expense of the Company:-

- (a) have explicit authority to investigate any matter within its terms of reference;
- (b) have the resources which are required to perform its duties;
- (c) have full and unrestricted access to all information and documents which are required to perform its duties, as well as to the internal and external auditors, and management of the Group;
- (d) obtain independent professional advice and invite persons with relevant experience to attend the Committee meetings, if necessary;
- (e) have direct communication channels with the external auditors and person(s) carrying out the internal audit function;
- (f) convene meetings with external auditors, internal auditors or both, without the presence of Executive Directors and the Management, at least once a year or whenever deemed necessary;
- (g) authorise an investigation where there is possible fraud, illegal acts or suspected violation of the Code of Ethics and Conduct involving Senior Management or members of the Board;
- (h) have immediate access to reports on fraud or irregularities, serious internal control deficiencies or suspected infringement of laws, rules and regulations by the management or employees of the Company and the Group which come to its attention and are of sufficient importance to warrant the attention of the Board; and
- (i) where the Committee is of the view that the matter reported by them to the Board has not been satisfactorily resolved, resulting in a breach of the Listing Requirements of Bursa Securities ("**Listing Requirements**"), the Committee shall promptly report such matter to Bursa Securities.

10. DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the Committee are as follows:-

10.1 Financial Reporting

- (a) To review the quarterly results and annual financial statements of the Group before recommending the same to the Board for approval, focusing particularly on:
 - (i) going concern assumption;
 - (ii) any changes in or implementation of major accounting policies and practices;

- (iii) significant matters highlighted including financial reporting issues, significant judgements made by management, significant issues and unusual events or transactions, and how these matters are addressed;
 - (iv) significant audit adjustments;
 - (v) compliance with accounting standards, regulatory and other legal requirements for financial reporting; and
 - (vi) major judgmental areas.
- (b) To review and provide advice on whether the financial statements taken as a whole, provide a true and fair view of the Company's financial position and performance.
 - (c) To ask probing questions and ensure that the financial statements are consistent with operational and other information, where there are significant matters requiring judgement.
 - (d) To understand non-financial information which is relevant in assisting the Committee to gain further insights on the Group's performance and enhance the integrity of financial reporting.

10.2 External Auditors

- (a) To assess the suitability, objectivity and independence of the external auditors on an annual basis, taking into consideration of the following: -
 - (i) the Annual Transparency Report of the external audit firm. If the Annual Transparency Report is not available, the Committee may engage the external audit firm on matters typically covered in an Annual Transparency Report, including the audit firm's governance and leadership structure as well as measures undertaken by the firm to uphold audit quality and manage risks;
 - (ii) appropriateness of audit fees to support a quality audit;
 - (iii) the nature and extent of non-audit services rendered and the level of fees paid for such services. The proposed non-audit services and its proposed fees should be reviewed and approved by the Committee before commencement of work;
 - (iv) 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; and
 - (v) the conduct of annual evaluation on the performance of the external auditors by the Committee based on the criteria including, but not limit to:-
 - Independence of the audit firm and ability to maintain its independence throughout the audit engagement, particularly no conflict of interest situations that could affect its independence;
 - Compliance with regulations and ethical guidelines relating to rotation of audit partner and succession planning;
 - Professional, competency, experience, integrity of key personnel and resources capacity of the audit firm;
 - Effectiveness of audit approach and methodology; and
 - Provision of non-audit services by the external auditors (if any) shall not cause an impairment to the objectivity and independence of the audit firm.

- (b) To consider and recommend to the Board on the appointment & re-appointment of external auditors and to fix their fees (audit and non-audit), after assessing their independence and capabilities as well as the effectiveness of the external audit process.
- (c) To review and report to the Board on the resignation of the external auditors or proposal for their dismissal, together with a copy of any written representations or statement of circumstances in relation with the resignation made by the external auditors, if applicable, and whether there is reason (supported by grounds) to believe that the external auditors are not suitable for re-appointment.
- (d) To review the following matters with the external auditors and report the same to the Board:
 - (i) audit plan, its scope and nature, including any changes to the scope of the audit plan;
 - (ii) audit report;
 - (iii) external auditors' management letter (if any) and management response;
 - (iv) evaluation and findings of system of risk management and internal control;
 - (v) assistance given by the employees and management of the Group to the external auditors, including any difficulties or disputes encountered during audit; and
 - (vi) problems and concerns arising during the interim and final audits.

10.3 Internal Audit Function

- (a) To mandate the internal audit function to report directly to the Committee.
- (b) To review the adequacy of the audit scope and coverage, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its functions.
- (c) To review the internal audit plan or charter, programme, processes and the reporting structure.
- (d) To review the results and findings of the internal audit assessments or investigation undertaken and whether the Management has taken appropriate actions based on the recommendations of the internal auditors.
- (e) To review any special audit which the Committee may deem necessary.
- (f) To approve any appointment, termination or resignation of the internal audit personnel and provide the resigning personnel an opportunity to submit his reason for resignation.
- (g) To review the appraisal or evaluation on the performance of the internal audit function on an annual basis.

10.4 Risk Management and Internal Control

- (a) To establish an adequate and effective risk management and internal control systems for the Group.

- (b) To review the risk management framework, policies, processes and procedures including identifying, managing, monitoring and mitigating the significant risks of the Group as well as evaluate the overall adequacy and effectiveness of the system of internal control, and recommend to the Board for approval.
- (c) To review the risk profile (including operational, financial, regulatory compliance, sustainability and reputational risks), risk appetite and levels of tolerance (including subsequent review and adjustment, where necessary), and assess the mitigating actions put in place to manage these risks.
- (d) To review the adequacy of resources in managing the risk management and internal control framework.
- (e) To ensure that the implementation of risk management policy is properly carried out throughout the Group by the management.
- (f) to ensure the effectiveness and adequacy of the Group's risk management and internal control systems associated with the Group's operations and compliance with applicable laws and regulations.

10.5 COI

- (a) To review the adequacy of the arrangements within the Group for the purpose of identifying, evaluating, approving, reporting, monitoring and mitigating COI (including potential, actual, perceived or persisting COI) within the Group involving Directors and key senior management of the Company.
- (b) To review the COI matters based on the assessment conducted by the management including any potential, actual, perceived or persisting COI within the Group on a quarterly basis and report to the Board for deliberation including the measures taken to resolve, eliminate, or mitigate such COI.
- (c) To review any COI situations to ensure that interested parties do not abuse their powers to gain unfair advantage.
- (d) To include in the Audit and Risk Management Committee Report a summary of any COI or potential COI situation(s) reviewed by the Committee, and the measures taken to resolve, eliminate, or mitigate such conflicts.

10.6 Related Party Transaction ("RPT") and Recurrent RPT ("RRPT")

- (a) To establish comprehensive procedures for identifying, evaluating, approving and reporting all RPT and/or RRPT situations.
- (b) To review and report to the Board any RPT, RRPT and/or COI situations that arise, persist or may arise within the Company or 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.
- (c) To review and establish whether all RRPT have been carried out in accordance with the mandate approved by the shareholders and are on commercial terms no more favourable to the related parties than those available to the public, and report to the Board.
- (d) To review all non-recurring transactions or corporate proposals involving related parties, to ensure that they are in the best interest of the Company and are not to the detriment of the minority shareholders and make recommendation to the Board.

10.7 Others

- (a) To review financial related reports including the Audit and Risk Management Committee Report, Statement on Risk Management and Internal Control, Sustainability Statement and Corporate Governance Overview Statements as required by the Listing Requirements for inclusion in the Annual Report.
- (b) To review regulatory and compliance reports and any other reports within the purview of the Committee.
- (c) To obtain regular updates from the management regarding compliance matters;
- (d) To verify allocation of units/options issued pursuant to the various incentive or retention schemes implemented by the Company (if any).
- (e) To periodically review the adequacy and appropriateness of the Anti-Bribery and Corruption Policy and Whistleblowing Policy.
- (f) To report any suspected frauds/irregularities, serious internal control deficiencies, suspected infringement of laws, rules and regulations that warrants the attention of the Board.
- (g) To report promptly to Bursa Securities on any matter reported by the Committee to the Board, which has not been satisfactory resolved resulting in the breach of the Listing Requirements.
- (h) To carry out any other functions/topics that may be mutually agreed upon by the Committee and the Board.

11. REVIEW OF THE TERMS OF REFERENCE

The Committee shall periodically review and update this Terms of Reference to ensure its relevance, effectiveness and alignment with the Group's objectives, practices and current laws and regulations. Any amendments to this Terms of Reference will be recommended to the Board for approval.

This Term of Reference is made available on the Company's website.

12. APPROVAL

This Terms of Reference was reviewed and approved by the Board on 24 September 2024.