




3REN BERHAD

Registration No. 202101012445 (1412744-K)
(Incorporated in Malaysia)

**AUDIT AND RISK MANAGEMENT COMMITTEE
TERMS OF REFERENCE**

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1. Objective

The principal objective of the Audit and Risk Management Committee (“**ARMC**”) is to assist the Board of Directors (“**Board**”) of 3REN Berhad (“**3REN**” or “**the Company**”) and all its subsidiary companies within the Group (“**3REN Group**” or “**the Group**”) in discharging its statutory duties and responsibilities relating to:

- the financial reporting process;
- the system of Risk Management and Internal Control;
- the internal and external audit process; and
- the conflict of interest situations and related party transactions.


2. Composition

The ARMC shall be constituted by the Board and shall comply with the following requirements:

- i) the ARMC must not be fewer than three (3) members;
- ii) all the ARMC members must be non-executive directors with majority of them being independent directors; and
- iii) at least one (1) member of the ARMC:
 - a) must be a member of the Malaysian Institute of Accountants; or
 - b) if he/she is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years’ working experience; and
 - he/she must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - he/she must be a member of one of the association of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
 - c) fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad (“**Bursa Securities**”).

The members of the ARMC shall elect a Chairperson from among themselves who shall be an independent director and who is not the Chairperson of the Board. No alternate director should be appointed as a member of the ARMC. Where a former key audit partner is appointed to the Board, he/she is required to observe a cooling-off period of at least three (3) years before being appointed as a member of the ARMC.

In the event of any vacancy in the ARMC resulting in the non-compliance of the Listing Requirements of Bursa Securities pertaining to the composition of the ARMC, the Board shall fill the vacancy within three (3) months from such vacancy.

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The terms of office and performance of the ARMC and each of its members must be reviewed by the Nomination Committee annually to determine whether the ARMC and its members have carried out their duties in accordance with these terms of reference.

3. Meetings

Frequency

Meetings shall be held not less than four (4) times a year, with additional meetings convened as and when necessary. Upon the request of the external or internal auditors, the Chairperson of the ARMC may convene a meeting of the ARMC to consider any matter the external or internal auditors believes should be brought to the attention of the Directors or the shareholders of the Company.

In the interval between ARMC meetings, for exceptional matters requiring urgent decisions, ARMC approvals may be sought via circular resolutions which are accompanied with sufficient information for an informed decision.

Quorum

In order to form a quorum for the ARMC meeting, majority of members present must be independent directors.


Any member of the ARMC may participate in any meeting of the ARMC via telephone conferencing, video conferencing or by means of any communication equipment which allows all persons participating in the meeting to hear each other. A person so participating shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly.

Secretary

The Company Secretary shall be the Secretary of the ARMC or in his/her absence, another person authorized by the Chairperson of the ARMC. The Secretary shall be responsible for issuing the agenda with the concurrence of the Chairperson and circulating it, accompanying it with explanatory statements and other relevant documents to ARMC members prior to each meeting. The Company Secretary is also responsible for keeping the minutes of meetings of the ARMC, circulating them to ARMC members and to the other members of the Board and for following up on outstanding matters. The Secretary shall keep the minutes of meetings properly filed and shall produce the minutes of meetings for inspection when necessary.

Notice of Meeting

Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the ARMC and any other person required to attend, no later than seven (7) days before the date of the meeting, except in the case of an emergency, where reasonable notice of every Committee meeting shall be given in writing. Supporting papers shall be sent to committee members and to other attendees as appropriate, at the same time or such other period as the members may agree.

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Reporting Procedure

The minutes of each meeting shall be circulated by the Company Secretary to the ARMC members and to all members of the Board.

Attendance

Other Directors and employees may be invited by the ARMC to attend any particular meeting of the ARMC.

At least once a year, the ARMC shall meet with the external auditors and internal auditors without any executive directors and management present.

4. Rights and Authority


- i) The ARMC is authorized by the Board to investigate into any activities within its terms of reference and may seek any information it requires from any employee subject to process and procedures as laid down by the Board.
- ii) The ARMC may obtain legal advice or other independent professional advice if it deems or considers necessary, subject to process and procedures as laid down by the Board.
- iii) The ARMC is empowered to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Group, whenever deemed necessary.
- iv) The ARMC has direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity.

5. Duties and Responsibilities


- i) To review the engagement, compensation, performance, qualifications and independence of our external auditors, its conduct of the annual statutory audit of our financial statements, and the engagement of external auditors for all other services;
- ii) To set up policies and procedures to assess the suitability, objectivity and independence of the external auditors to safeguard the quality and reliability of audited financial statements;
- iii) To review and recommend our quarterly and annual financial statements for approval by our Board before announcement to regulatory bodies, focusing in particular on any changes in or implementation of major accounting policies and practices, significant matters highlighted including financial reporting issues, significant judgment made by management, significant and unusual events, significant adjustments arising from the audit, going concern assumption and compliance with accounting standards and other regulatory or legal requirements;

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- iv) To review with the external auditor the audit plan, his evaluation of the systems of internal control and his audit report;
- v) To review the assistance given by the employees of the Group to the external auditors;
- vi) To review the report on the related party transactions (if any) on a quarterly basis for assurance that these transactions are conducted at arm's length, fair, reasonable and on terms not more favourable to the related parties than those generally available to the public, and to inform the Board of any major findings;
- vii) To review any related party transaction and conflict of interest situation that arose, persist or may arise within 3REN or the Group including any transaction, procedure or course of conduct that raises question of management integrity, and the matters taken to resolve, eliminate or mitigate such conflicts;
- viii) To review any letter of resignation from external auditors of the Company and ascertain whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment;
- ix) To review and recommend the nomination of a person or persons as external auditor;
- x) To consider the major findings of internal investigations and management's response;
- xi) To review the following in respect of the internal audit function:
 - (a) 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 works;
 - (b) the internal audit program, process, results of the internal audit program and processes and where necessary ensure that appropriate actions are taken on the recommendations of the internal audit function;
 - (c) any appraisal or assessment of the performance of members of the internal audit function; and
 - (d) the major findings of internal investigations, whistleblowing reports and the management's response.
- xii) To review and approve the internal audit report, annual audit plan, internal audit methodologies and scope;
- xiii) To review the adequacy and effectiveness of the risk management systems, internal control and governance process implemented by the Group;
- xiv) To oversee and recommend the risk management policies and procedures of the Group and recommend changes as needed to ensure that the Group has in place at all times a risk management policy which addresses the strategic, operational, financial and compliance risks;

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- xv) To implement and maintain a sound risk management framework which identifies, assesses, manages and monitors the Group's business risks;
- xvi) To set reporting guidelines for management to report to the ARMC on the effectiveness of the Group's management of its business risks;
- xvii) To review the risk profile of the Group, the adequacy of management response and to evaluate the measures taken to mitigate the business risks;
- xviii) To perform the oversight function over the administration of the whistleblowing policy that is approved and adopted by the Board to protect the values of transparency, integrity, impartiality and accountability where the Group conducts its business and affairs to enhance its accountability in preserving its integrity and to withstand public scrutiny which in turn enhances and builds the Group's credibility to all our stakeholders;
- xix) Evaluate the quality of the audit conducted by the internal and external auditors;
- xx) Provide assurance that the financial information presented by management is relevant, reliably and timely;
- xxi) Oversee compliance with laws and regulations and observance of a proper code of conduct;
- xxii) Determine the adequacy of the Group's control environment;
- xxiii) To review the allocation of options / shares granted pursuant to the Share Option Plan ("SOP") / Share Grant Plan ("SGP") and make such statement to be included in the annual report of the Company in relation to a share scheme for employees;
- xxiv) To verify at the end of each financial year the allocation of options / shares granted pursuant to the SOP / SGP in compliance with the criteria as stipulated in the by-law of SOP / SGP of the Group, if any;
- xxv) To review the risk management policies of the Group which addresses key elements of the enterprise-wide risk management framework, risk appetite, strategy, processes and methodology and recommend any necessary changes relating thereto to the Board in line with the changing operating and economic environment, prevailing best practices in risk management and any relevant regulatory requirements;
- xxvi) To oversee, evaluate and monitor the adequacy and effectiveness of the Group's risk management framework and the risk management system put in place by the Management in tandem with the changing business circumstances to safeguard shareholders' interests and the Group's assets;

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xxvii) To report to the Board on the Group’s major risk exposures, including the review on the risk assessment framework used to monitor the risk exposures and the Management’s views on the acceptable and appropriate level of risks faced by respective business units/division of the Group;

xxviii) To review the Audit Committee Report, any report on conflict of interest situation, Statement on Risk Management and Internal Control, as well as other disclosure concerning the risk management activities of the Group, for inclusion in the Company’s Annual Report and recommend the same for approvals of the Board; and

xxix) To perform such other functions as may be requested by the Board.

6. Continuous Professional Development

Collectively, the ARMC should possess a wide range of necessary skills to discharge its duties. All members should be financially literate, competent and are able to understand matters under the purview of the ARMC including the financial reporting process.

All members of the ARMC should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

7. Review of the Terms of Reference

The Board shall review and assess the relevance of the terms of reference of the Committee from time to time or when changes to business environment or regulatory requirements necessitate a revision.

8. Revision of the Terms of Reference

The provisions of this terms of reference can be amended and supplemented from time to time by a resolution of the Board.