

SPB DEVELOPMENT BERHAD

TERMS OF REFERENCE OF AUDIT AND RISK MANAGEMENT COMMITTEE

1. INTRODUCTION

- 1.1 The Audit and Risk Management Committee (“**ARMC**”) is formed by the Board of Directors (“**Board**”) of SPB Development Berhad (“**Company**”) to assist the Board to effectively discharge their specific responsibilities for corporate governance by overseeing the overall business risk process as well as the accounting and financial reporting practices within the Company and its subsidiaries (“**Group**”).
- 1.2 This Terms of Reference (“**TOR**”) of ARMC is established pursuant to the Main Market Listing Requirements (“**MMLR**”) of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) and in line with the Malaysian Code of Corporate Governance (“**MCCG**”) issued by the Securities Commission Malaysia. It sets out the requirements towards the establishment of the ARMC and the delegation of responsibilities to the ARMC.

2. OBJECTIVES

- 2.1 The primary objective of the ARMC is to establish a documented, formal and transparent procedure to assist the Board in fulfilling its fiduciary responsibilities relating to corporate accounting, financial reporting practices, internal control, audit process, risk management, related party transactions and the process of monitoring compliance with the relevant laws and regulations.
- 2.2 The ARMC maintains open lines of communication between the Board, the internal auditors and the external auditors for the exchange of views and information, as well as to provide assurance that all the relevant information presented by the management of the Company (“**Management**”) is relevant, reliable and timely.

3. COMPOSITION

- 3.1 The ARMC shall comprise at least three (3) members, all of whom shall be Independent Non-Executive Directors.
- 3.2 The Board shall elect and appoint the ARMC members from among themselves. The Chairman of the ARMC shall be an Independent Non-Executive Director elected from among the ARMC members and shall be approved by the Board.
- 3.3 The Chairman of the Board must not be a member of the ARMC.
- 3.4 All members of the ARMC shall be financially literate and be able to understand matters under the purview of the ARMC including the financial reporting process.
- 3.5 At least one (1) member of the ARMC:
- (a) must be a member of the Malaysian Institute of Accountants (“**MIA**”); or
 - (b) if he is not a member of the MIA, he must have at least three (3) years of working experience and:
 - (i) must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - (ii) must be a member of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or

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- (c) must be a person who fulfils the requirements as prescribed or approved by Bursa Securities and/or other relevant authorities from time to time.
- 3.6 No alternate Director shall be appointed as a member of the ARMC.
- 3.7 No former key audit partner shall be appointed as a ARMC member before first observing a cooling-off period of at least three (3) years.
- 3.8 If a member of the ARMC retires, resigns, passes away and/or for any other reason ceases to be a member resulting in the number of members be reduced to below three (3), the Board shall, within three (3) months of that event, appoint such number of new members as may be required to make up the minimum of three (3) members.
- 3.9 The appointment of the ARMC member 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.
- 3.10 The Board shall have power at any time and from time to time to rescind the appointment of any person in the ARMC and appoint new members to the ARMC as it shall deem fit.
- 3.11 Members of the ARMC may relinquish their membership with prior written notice to the Board.
- 3.12 The Secretary of the ARMC shall be the Company Secretary of the Company. The Secretary is responsible for the following:
- (a) ensure all meetings are arranged and held accordingly;
 - (b) draw up meeting agenda in consultation with the ARMC Chairman and circulate the agenda together with the relevant papers at least seven (7) days prior to each meeting to enable full and proper consideration to be given to issues;
 - (c) prepare the minutes of the ARMC meetings and record the conclusions of the ARMC in discharging its duties and responsibilities;
 - (d) ensure the minutes are endorsed by the ARMC Chairman before circulating promptly to all members of the ARMC and make the same available to Board members who are not members of the ARMC; and
 - (e) ensure that the minutes of the ARMC meetings are properly kept and produced for inspection if required.

4. ROLES OF THE CHAIRMAN

- 4.1 The Chairman of the ARMC ("**Chairman**") shall be appointed by the Board. The Chairman of the ARMC shall not be the Chairman of the Board.
- 4.2 The Chairman is responsible for ensuring the overall effectiveness and independence of the ARMC. In particular, he is responsible for:
- (a) planning and conducting meetings;
 - (b) overseeing the reporting to the Board;
 - (c) encouraging open discussion during meetings; and
 - (d) developing and maintaining active on-going dialogue with the Chairman of the Board and Chief Executive Officer ("**CEO**"), the Chief Financial Officer ("**CFO**"), the Chief Operation Officer ("**COO**"), the Management and external and internal auditors.

- 4.3 The Chairman together with other members of ARMC should ensure, amongst others, that:
- (a) the ARMC is fully informed about significant matters related to the Group's audit and its financial statements and address these matters;
 - (b) the ARMC appropriately communicates its insights, views and concerns about the relevant transactions and events to the internal and external auditors;
 - (c) the ARMC's concerns on matters that may have an effect on the financial audit of the Group are communicated to the external auditors; and
 - (d) there is co-ordination between internal and external auditors.

5. DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the ARMC are as follows:

5.1 Financial Reporting

- (a) review with the external auditors, the Group's quarterly results and year-end financial statements, before submission to the Board, focusing particularly:
 - (i) changes in or adoption of new accounting policies;
 - (ii) changes in the presentation of the financial statements;
 - (iii) significant matters highlighted including financial reporting issues, material audit adjustments, material fluctuations in balances, significant judgment and estimates made by the Management, significant and unusual events or transactions highlighted by the external auditors, and how these matters are addressed;
 - (iv) litigation, significant and unusual events that could affect the results materially;
 - (v) compliance with accounting standards and other legal requirements;
 - (vi) going concern assumption used in the preparation of the financial statements; and
 - (vii) any qualifications in the auditors' report that must be discussed and properly acted upon.

5.2 External Auditors

- (a) consider and recommend the appointment or re-appointment of external auditors and their audit fees;
- (b) review and discuss with the external auditors on the following and report the same to the Board:
 - (i) audit plan;
 - (ii) audit report;
 - (iii) evaluations of the system of internal controls;
 - (iv) the assistance given by the employees of the Company ("**Employees**") to the external auditors;
 - (v) external auditors' report of deficiencies in internal control and management's response thereto;

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- (vi) ensure they are full informed about any significant audit findings, reservations, difficulties encountered, or material weaknesses reported by the external auditors;
- (vii) discuss problems and reservations arising from the interim and final audits and any matter the auditor may wish to discuss (in the absence of management where necessary); and
- (viii) the annual evaluation of the performance of the external auditors, including the suitability, objectivity and independence of the external auditors which takes into consideration the following:
 - the competence, audit quality and resource capacity of the external auditors in relation to the audit;
 - the nature and extent of the non-audit services tendered and the appropriateness of the level of fees; and
 - written assurance from the external auditors confirming that they are, and have been independent through the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirement;
- (c) review any letter of resignation from the external auditor or suggestions for their dismissal; and
- (d) review whether there is reason (supported by grounds) to believe that the external auditors are not suitable for re-appointment.

5.3 Internal Audit

- (a) review with the internal auditors on the following and report the same to the Board:
 - (i) annual audit plan which is risk-based and focused on significant risk areas to ensure adequate scope and comprehensive coverage over the activities of the Group;
 - (ii) effectiveness of the internal audit processes as well as the adequacy of resources, competency and the necessary authority for the internal audit function;
 - (iii) internal audit report containing the internal audit findings, commentaries and recommendations and to follow-up on remedial actions;
 - (iv) effectiveness of internal control systems and risk management systems and have them considered if necessary;
 - (v) external auditors' report of deficiencies in internal control and management's response thereto;
 - (vi) ensure the internal audit function is independent of the activities it audits and the internal auditors report directly to the ARMC. The internal auditors will be responsible for the regular review and/or appraisal of the effectiveness of risk management, internal control and governance processes within the Group;
 - (vii) approve any appointment, termination or change of senior staff members of the internal audit function and take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning;
 - (viii) take cognisance of resignations of internal auditors and provide the resigning internal auditor with an opportunity to submit his reasons for resigning upon receipt of such notice of resignation; and

- (ix) review the appraisal or assessment of performance of the internal auditors.

5.4 Related Party Transactions

- (a) review the propriety or terms of any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- (b) review the terms of any recurrent related party transactions of a revenue or trading nature which are subject to shareholders' mandate, prescribed guidelines and review procedures to ascertain that such transactions are in compliance with the terms of the shareholders' mandate; and
- (c) review the terms of any non-recurring corporate proposals involving related parties to ensure that they are in the best interest of the Group and not detrimental to the interest of minority shareholders.

5.5 Risk Management and Internal Control

- (a) review and assess the adequacy and effectiveness of risk management policies and framework in identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively;
- (b) review and recommend risk management strategies, policies and level of risk tolerance for the Board's approval;
- (c) monitor risk management processes to ensure they are integrated into all core business processes of the Group;
- (d) conduct annual review on the Company's internal control and risk management;
- (e) review the Annual Statement of Risk Management and Internal Control to be published in the Annual Report of the Company;
- (f) ensure infrastructure, resources and systems are in place and adequate for risk management;
- (g) review the Management's periodic reports on risk exposure, risk profile and risk mitigation activities to ensure adequacy and effectiveness;
- (h) ensure infrastructure, resources and systems are in place for risk management i.e. ensuring that the staff responsible for implementing risk management systems perform those duties independently of the Group's risk-taking activities;
- (i) review the enterprise risk rating and determine the critical risks to be escalated to the Board on a quarterly basis; and
- (j) promote better governance culture and behavior within the Company by ensuring that structured policies and procedures on anti-corruption and anti-money laundering are in place while placing greater emphasis on reviewing corruption and money laundering risks as part of the quarterly and annual risk assessment of the Company.

5.6 Other Matters

- (a) report any breach of the MMLR, which has not been satisfactorily resolved, to Bursa Securities;
- (b) prepare the ARMC Report for its inclusion in the Company's Annual Report including:
 - (i) the composition of the ARMC including the name, designation and directorship of the members;

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- (ii) the number of meetings held during the financial year and details of attendance of each member;
 - (iii) a summary of the work of the ARMC in the discharge of its functions and duties for that financial year and how it has met its responsibilities; and
 - (iv) a summary of the work of the internal audit function;
- (c) review the following for publication in or together with the Company's Annual Report as well as to review the Annual Report and recommend for the Board's approval:
- (i) the corporate governance disclosure;
 - (ii) the statement of the Board's responsibility for the preparation of the annual audited financial statements;
 - (iii) the statement of the state of risk management and internal control of the Group; and
 - (iv) the statement of sustainability and purview on the progress of the sustainability journey of the Group;
- (d) review the allocation of options / shares granted pursuant to the Employees' Share Option Scheme ("**ESOS**") / Employee Share Grant Plan ("**ESGP**"), if any, and make such statement to be included in the annual report of the Company in relation to a share issuance scheme for employees;
- (e) verify at the end of each financial year the allocation of options / shares granted pursuant to the ESOS / ESGP in compliance with the criteria as stipulated in the by-laws of ESOS / ESGP of the Group, if any;
- (f) assess the adequacy of the business recovery / disaster recovery procedures;
- (g) assess processes and procedures to ensure compliance with all laws, rules and regulations, directives and guidelines established by the relevant regulatory bodies; and
- (h) undertake such other assignments as requested by the Board from time to time or as the ARMC considers appropriate.

6. AUTHORITY

- 6.1 The ARMC is authorised by the Board to investigate any activity within its TOR. It is authorised to seek any information it requires from any Employee for the purpose of discharging its functions and responsibilities.
- 6.2 The ARMC is authorized to obtain legal or other advice from independent professionals and appoint external parties with relevant experience and expertise to assist if it considers this necessary.
- 6.3 The ARMC shall have all the resources which are required to perform its duties including access to the advice and services of the Company Secretary.
- 6.4 The ARMC shall have direct communication channels with both the external auditors and internal auditors and be able to convene meetings with the external auditors, the internal auditors or both, without the attendance of other Directors and Employees, whenever deemed necessary.
- 6.5 The ARMC shall have full and unlimited access to all the information and documents within the Group relevant to its activities.
- 6.6 Where the ARMC is of the view that the matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the MMLR, the ARMC shall promptly report such matter to Bursa Securities.

- 6.7 The ARMC is not authorised to implement its recommendation on behalf of the Board but shall report its recommendation back to the Board for its consideration and implementation.

7. MEETINGS

- 7.1 The ARMC shall meet at least four (4) times a year or more frequently as and when the ARMC deems necessary and may regulate its own procedures and in particular the calling of meetings, the notice to be given for such meetings, the proceedings thereat, the keeping of minutes and the custody, production and inspection of such minutes.
- 7.2 The ARMC Chairman may call for additional meetings at any time at his discretion.
- 7.3 In the absence of the ARMC Chairman, the members present shall elect a chairman for the meeting from amongst the members present.
- 7.4 The ARMC Chairman or appointed person by the ARMC Chairman shall report to the Board on any matter that should be brought to the Board's attention and provide the recommendations of the ARMC that require the Board's approval.
- 7.5 The Company Secretary shall, on the requisition of the ARMC members, summon a ARMC meeting and except in the case of an emergency, reasonable notice of every ARMC meeting shall be given in writing.
- 7.6 The quorum for the ARMC meeting shall be two (2) members present in person, a majority of whom must be Independent Directors.
- 7.7 A ARMC member may participate in a meeting by means of a telephone conference or video conference or any other means of audio-visual communications and the person shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly.
- 7.8 For good governance, each ARMC member must attend at least 50% of the meetings held within the year, failing which the ARMC will decide on disqualification of the relevant ARMC member.
- 7.9 A matter put to vote at the ARMC meetings shall be decided by a simple majority of the votes. In the event of an equality of votes, the ARMC / meeting Chairman has the casting vote, except where two (2) members form a quorum, the chairman of a meeting at which only such a quorum is present, or at which only two (2) members are competent to vote on the question at issue shall not have a casting vote.
- 7.10 A member of the ARMC who has an interest or is involved directly or indirectly in any matter under consideration by the meeting shall abstain from deliberating and voting.
- 7.11 The other Directors and Employees must attend any particular ARMC meetings to brief the ARMC on issues that are incorporated into the agenda only at the invitation of ARMC, specific to the relevant meeting. The internal auditors, the external auditors and Management may attend at any meeting at the invitation of the ARMC.
- 7.12 At least twice a year and whenever necessary, the ARMC shall meet with the Company's CFO, the external auditors and internal auditors without the presence of Non-Independent Directors or Management.
- 7.13 The ARMC shall meet with the external auditors without the presence of executive Board members as and when required. Upon the request of the external auditor, the Chairman of the ARMC shall convene a meeting to consider any significant management matter the external auditor believes should be brought to the attention of both the Directors and shareholders.

8. CIRCULAR RESOLUTIONS

- 8.1 A resolution in writing, signed or approved by majority of the members of the ARMC, shall be as effectual as if it has been passed at a meeting of the ARMC duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more ARMC members. Such resolution may be approved by letter, electronic mail or other electronic communication.

9. MINUTES

- 9.1 The minutes of the meeting shall be action oriented, and record the deliberations and decisions of the ARMC. Minutes shall include compiled instructions as matters arising for discussion at each meeting to ensure proper follow through.
- 9.2 Minutes shall be distributed to ARMC members within four (4) weeks after the meeting. The minutes shall be approved by the chairman of the meeting at which the proceedings were held or by the Chairman of the next meeting.
- 9.3 Copies of minutes of each meeting shall be distributed to all members of the Board, the CFO and the internal auditors to ensure proper key action is taken.
- 9.4 Minutes of ARMC meetings shall be kept at the registered office of the Company.
- 9.5 The Chairman shall orally report on the proceedings of each ARMC meeting at the first Board meeting following the ARMC Meeting.

10. TERM OF OFFICE

- 10.1 The term of office and performance of the ARMC and each of its members shall be reviewed at least once every three (3) years by the Board to assess whether the ARMC and its members have carried out their duties in accordance with this TOR.

11. TOR SUBJECT TO PERIODICAL REVIEW

- 11.1 The ARMC is responsible for regular reviews of this TOR and making any recommended changes to ensure that it continues to remain relevant, appropriate and consistent with the Group's practices, MCCG, MMLR or any other applicable regulatory requirements.
- 11.2 Any revision and/or changes to the terms of this TOR as recommended by the ARMC shall be subject to the approval of the Board.
- 11.3 The Board should disclose the application of this TOR in the Annual Report and on the corporate website of the Company.

This Terms of Reference of Audit and Risk Management Committee is approved and adopted by the Board on 18 July 2024.