



**MILUX CORPORATION BERHAD**  
**[Registration No. 199401027937 (313619-W)]**

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

**1. Objectives**

The principal objectives of the Audit and Risk Committee ("**the Committee**") are to assist the Board of Directors ("**the Board**") of Milux Corporation Berhad ("**the Company**" or "**Milux**") in discharging its statutory and fiduciary duties and responsibilities relating to accounting and reporting practices of the Company and its subsidiaries ("**the Group**"). In addition, the Committee shall:-

- (a) evaluate the quality of the audits performed by the internal and external auditors;
- (b) provide assurance that the financial information presented by management is relevant, reliable and timely;
- (c) oversee compliance with laws and regulations and observance of a proper code of conduct; and
- (d) determine the quality, adequacy and effectiveness of the Group and Company's control environment.

**2. Composition of Members**

The Committee shall be appointed by the Board from amongst the Directors of the Company and shall comprise no fewer than three (3) Non-Executive Directors, with a majority of them being Independent Directors. The Chairman of the Board shall not be a member of the Committee.

*In this respect, the Board adopts the definition of "independent director" as defined under the Main Market Listing Requirements ("**Main LR**") of Bursa Malaysia Securities Berhad ("**Bursa Securities**").*

All members of the Committee shall be financially literate and at least one (1) member of the Committee:-

- must be a member of the Malaysian Institute of Accountants ("**MIA**"); or
- if he is not a member of the MIA, he must have at least three (3) years of working experience and
  - he/she must have passed the examination specified in Part I of the 1<sup>st</sup> Schedule to the Accountants Act, 1967; or
  - he/she must be a member of one of the associations of accountants specified in Part II of the 1<sup>st</sup> Schedule of the Accountants Act, 1967; or
- fulfils such other requirements as prescribed or approved by Bursa Securities.

No alternate director of the Board shall be appointed as a member of the Committee.

No former partner of the external audit firm of the Group [including all former partners of the audit firm and/or the affiliate firm (including those providing advisory services, tax consulting etc.)] shall be appointed as a member of the Committee unless the said former partner has observed a cooling-off period of at least three (3) years before being appointed as a member of the Committee.

*The definition of former partner follows that defined in the Malaysian Code of Corporate Governance.*

The term of office and performance of the Committee and each of its members shall be reviewed by the Nomination and Remuneration Committee annually to determine whether the Committee and its members have carried out their duties in accordance with this Terms of Reference.

All members of the Committee should possess a wide range of necessary skills and undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules in order to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Committee including the financial reporting process.

#### Retirement and resignation

If a member of the Committee resigns, dies, or for any reason ceases to be a member resulting in non-compliance to the composition criteria as stated in paragraph 2 above, the Board shall within three (3) months of the event appoint such number of the new members as may be required to fill the vacancy.

### **3. Chairman**

The Chairman of the Committee is not the Chairman of the Board. The members of the Committee shall elect the Chairman from amongst their number who shall be an Independent Director.

In the absence of the Chairman of the Committee, the other members of the Committee shall amongst themselves elect a Chairman who must be an Independent Director to chair the meeting.

In the event of any vacancy arises in the office of the Chairman of the Committee resulting in non-compliance of the Main LR of Bursa Securities, the vacancy must be filled within three (3) months of that event.

The role of the Chairman includes planning and conducting meetings, overseeing reporting to the Board, encouraging open discussion during meetings, and developing and maintaining active on-going dialogue with the Management, the internal auditors and the external auditors. The Chairman of the Committee should also attend the general meetings to answer any shareholder's questions on the Committee's activities.

#### **4. Secretary**

The Company Secretary shall be the Secretary of the Committee and as a reporting procedure, the Minutes shall be circulated to all members of the Board.

#### **5. Meetings**

The Committee shall meet at least four (4) times in each financial year, with due notice of issues to be discussed, and shall record its conclusions in discharging its duties and responsibilities. In addition, the Chairman may call for additional meetings at any time at the Chairman's discretion.

The Committee members may participate in a meeting by means of conference telephone, conference videophone or any similar or other communications equipment by means of which all persons participating in the meeting can hear each other. Such participation in a meeting shall constitute presence in person at such meeting and shall be entitled to vote or be counted in a quorum accordingly.

Upon the request of the external auditors, the Chairman of the Committee shall convene a meeting of the Committee to consider any matter the external auditors believe should be brought to the attention of the Directors or shareholders.

Notice of Committee meetings shall be given to all the Committee members unless the Committee waives such requirement.

The Chairman of the Committee shall engage on a continuous basis with the senior management, such as the Group Managing Director, the Chief Financial Officer, the head of internal auditors and the external auditors in order to be kept informed of matters affecting the Company.

The Chief Financial Officer and a representative of the internal and external auditors respectively should normally attend meetings (if so required). Other Board members and employees may attend meetings upon the invitation of the Committee. The Committee shall be able to convene meetings with the external auditors, the internal auditors or both, without executive Board members or employees present whenever deemed necessary.

Questions arising at any meeting of the Committee shall be decided by a majority of votes of the members present, and in the case of equality of votes, the Chairman of the Committee shall have a second or casting vote.

#### **6. Minutes**

Minutes of each meeting shall be kept at the registered office and distributed to each member of the Committee and also to the other members of the Board. The Committee Chairman shall report on the proceedings of each meeting to the Board.

The minutes of the Committee meeting shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.

## **7. Quorum**

The quorum for the Committee Meeting shall be the majority of members present whom must be Independent Directors.

## **8. Circular Resolutions**

A resolution in writing signed or approved by a majority of the Committee members whom must be Independent Directors for the time being shall be as valid and effectual as if it had been passed at a meeting of the Committee duly called and constituted.

Any such resolution may consist of several documents in like form each signed by one (1) or more Committee members. Any such document may be accepted as sufficiently signed by a Committee member if transmitted to the Company by email, telex, telegram, cable, facsimile or other electrical or digital written message to include a signature or approval of a Committee member.

## **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, the resources to do so, with full access to information All employees shall be required to co-operate as requested by members of the Committee;
- (b) have full and unlimited/unrestricted access to all information and documents/resources which are required to perform its duties as well as to the internal and external auditors and senior management of the Company;
- (c) obtain independent professional or other advice and to invite outsiders with relevant experience to attend, if necessary;
- (d) have direct communication channels with the internal and external auditors and person(s) carrying out the internal and external audit functions or activities (if any); and
- (e) where the Committee is of the view that the matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Main LR of Bursa Securities, the Committee shall promptly report such matter to Bursa Securities.
- (f) convene meetings with the external and internal auditors, without the presence of executive members of the Board, whenever deemed necessary.

## **10. Duties and Responsibilities**

The duties and responsibilities of the Committee shall include:-

- 10.1 to recommend and consider the appointment and re-appointment of the external auditors, their audit fee and any question of their resignation or dismissal to the Board;

- 10.2 to review with the external auditors the audit plans, evaluation on the internal controls and their audit reports and to consider adequacy of Management's action taken on external audit reports;
- 10.3 to discuss the nature and scope of the audit with the external auditors before the audit commence;
- 10.4 to review the assistance given by the employees of the Company to the external and internal auditors;
- 10.5 to review the quarterly results and year end financial statements of the Company and the Group before submission to the Board, focusing particularly on:-
- public announcements of results and dividend payment;
  - any changes in or implementation of major accounting policies and practices;
  - major judgmental areas;
  - significant adjustments resulting from the audit;
  - significant matters highlighted including financial reporting issues, significant judgments made by Management, significant and unusual events or transactions, and how these matters are addressed
  - the going-concern assumption;
  - compliance with accounting standards; and
  - compliance with stock exchange and legal requirements;
- 10.6 to discuss problems and reservations arising from the interim and final audits and any matters the auditors may wish to discuss (in the absence of Management where necessary);
- 10.7 to monitor the independence and qualification of the Company's external auditors;
- 10.8 to keep under review the effectiveness of risk management and internal control system and, in particular, review the external auditors' management letter and management's response;
- 10.9 to review any related party transactions ("**RPTs**") and/or recurrent RPTs and conflict of interest situation that may arise within the Company or Group and to monitor any inter-company transaction or any transactions between the Company and any related parties outside the Group;
- 10.10 to review and verify the allocation of options during the year under the Employees' Share Option Scheme ("**ESOS**") of Milux to ensure that this is in compliance with the allocation criteria determined by the ESOS committee and in accordance with the By-Laws of the ESOS;
- 10.11 to review and approve the statements to be included in the Annual Report concerning internal controls and risk management;
- 10.12 to do the following, in relation to the internal audit function:-
- review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work and to perform its function effectively in accordance with the

relevant professional standards;

- ensure that the internal auditor continuously keep abreast with developments in the profession, relevant industry and policies with updates of the internal audit team's resources, skillset and training on at least an annual basis;
- review the internal audit reports and results of the internal audit process and ensure that appropriate and necessary corrective actions are taken on the recommendations of the internal audit function in a timely manner to address control weaknesses, non-compliance with regulatory requirements and other problem identified by the internal audit function;
- review and approve the internal audit plans and scope of audit;
- review any appraisal or assessment of the performance of members of the internal audit function and be satisfied that the internal audit should be carried out objectively and is independent from Management of the Company and the functions which it audits and report its findings directly to the Audit Committee;
- review and approve budget or fees for the internal audit function; and
- review promptly all reports on the Group from the internal auditors and review and monitor Management's responsiveness to the findings and recommendations of the internal auditor;

- 10.13 to approve the appointment and removal of the head of the internal audit function, if any;
- 10.14 to consider and approve adequacy of the scope, functions, competency and resources of the internal audit function and ensure it has appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards;
- 10.15 to ensure the internal audit function have adequate standing and are free from management or other restrictions;
- 10.16 to monitor the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the company compared to the overall fee income of the firm, office and partner and other related requirements;
- 10.17 to review the Group's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- 10.18 identifying and monitoring the key risks of the Group and evaluating their management;
- 10.19 ensuring policies and framework are in place to manage the risks to which the Group is exposed, especially in areas of risk concentration pertaining to the risk exposures that the subsidiaries are exposed to in their business activities, e.g. market, operational, liquidity, credit, regulatory, reputation, legal and strategic

risk;

- 10.20 critically assessing the Group's business strategies and plans from a risk-based and enterprise-wide perspective;
- 10.21 discharging its risk management responsibilities through a formalised Enterprise Risk Management framework, established for identifying, measuring, managing, reporting and monitoring all categories of business risk across the Group;
- 10.22 to carry out such other functions and consider other topics, as may be agreed upon by the Board;
- 10.23 to monitor the integrity of the Company's financial statements;
- 10.24 to monitor the independence and qualification of the Company's internal auditors; and
- 10.25 to assume the role of Integrity Committee ("**IC**") with the following responsibilities:-
  - to oversee the Company's approach to the compliance of anti- bribery and anti-corruption;
  - to review and recommend to the Board all matters related to governance of integrity/anti-corruption within the Group;
  - to review and/or update the anti-bribery and anti-corruption policies and procedures at least once every three (3) years;
  - to pursue certain actions to promote the culture of anti-corruption within the Company, e.g. issuance of Code of Ethics and Conduct ("**the Code**"), and enrolment of anti-bribery and corruption awareness training;
  - to assess the Company's ethical culture (including the Code) and ensuring that the highest ethical standards are followed;
  - to monitor the compliance with the Code and evaluating transactions or activities which could be in breach of the Code or other applicable legal compliance requirements;
  - receiving, reviewing and, where applicable, coordinating the investigation of anonymous reports or other complaints/concerns received via the Company's established whistle blower channels;
  - to monitor the responses to the Group's whistleblowing line and other mechanisms used to raise concerns, and to oversee actions following breach of ethics and business integrity policy or allegation of misconduct;
  - to review the major findings of internal investigations and management's response and recommend the rectifications needed;
  - to ensure that the Group's communication and training programmes on ethics and business integrity are effectively reinforcing ethical value and further enhance good corporate governance; and

- to review any RPTs 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.

## **11 Review of the Terms of Reference**

This Terms of Reference shall be reviewed and updated at least once every three (3) years or when necessary to ensure its adequacy for current circumstances and any changes to applicable rules and regulations that may have an impact on the discharge of the Committee's responsibilities.

The Committee should recommend any change to the Terms of Reference to the Board for approval.

This Terms of Reference was reviewed and approved by the Board of Directors on 28 November 2023.