

FARM FRESH BERHAD
(Formerly Known as THE HOLSTEIN MILK COMPANY SDN. BHD.)
201001010221 (894851-U)

TERMS OF REFERENCE OF AUDIT AND RISK MANAGEMENT COMMITTEE

The primary objective of the Audit and Risk Management Committee (“**ARMC**”) is to assist the board of directors of Farm Fresh Berhad (“**Company**”) (“**Board**”) to discharge its fiduciary responsibilities of overseeing the financial risk processes and accounting and financial reporting practices within the Company and its subsidiaries (collectively, the “**Group**”), review the quality of the Group’s accounting function, financial reporting and internal controls. The ARMC also assists in overseeing and appraising the quality of the audits conducted by the Company’s internal and external auditors, reviewing related party transactions and conflict of interest situations, overseeing the risks management framework and its related policies within the Group, reviewing the risk management framework and processes to ensure that they remain relevant for use and monitoring the effectiveness of risk treatment/mitigation action plans for the management and control of the key risks.

1.0 Composition

1.1 The ARMC shall be appointed by the Board from among its number and shall consist of not less than three (3) members, all of whom must be independent non-executive directors.

1.2 At least one (1) member:

- i) must be a member of the Malaysian Institute of Accountants (“**MIA**”); or
- ii) if he or she is not a member of the MIA, he or she must have at least three (3) years’ working experience and:
 - a) he or she must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or
 - b) he or she must be a member of one (1) of the associations of 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**”).

1.3 The chairman of the ARMC (“**Chairman**”) shall be elected among the members of the ARMC, who is not the chairman of the Board.

- 1.4 In the event of any vacancy in the ARMC resulting in the non-compliance of the criteria as stated in Paragraphs 1.1, 1.2 and 1.3 above, the Board shall within three (3) months from the date of such non-compliance, appoint such number of new members as may be required to ensure compliance.
- 1.5 No alternate director shall be appointed as a member of the ARMC.
- 1.6 No former audit partner of the Company's external auditors shall be appointed to the ARMC, unless a cooling-off period of at least 3 years is observed.
- 1.7 The members of the ARMC shall be financially literate and collectively:
 - i) have sufficient understanding and knowledge of the Group's business and industry in which the Group operates; and
 - ii) have the ability to understand key business and financial risks and related controls and control processes.

1.8 Chairman

The Chairman is responsible for ensuring the overall effectiveness and independence of the ARMC.

He/she shall engage on a continuous basis with the senior management such as the chief executive officer, chief financial officer, Head of Audit and Risk (of the internal audit function within the Group) and external auditors in order to be kept informed of matters affecting the Group.

The Chairman (or in his absence, members of the ARMC) shall attend the annual general meeting of the Company and be available to answer questions relating to the ARMC's activities and on matters that are within the scope of the ARMC's responsibilities.

2.0 Quorum and Procedures of Meetings

- 2.1 Meetings of the ARMC shall be held at least once every quarter and not less than four (4) times in a financial year, although additional meetings may be called at any time by the Chairman upon the request of the external auditors or the Head of Audit and Risk (of the internal audit function within the Group) or at the Chairman's discretion.

The ARMC 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.

- 2.2 The quorum of meeting of the ARMC shall consist of not less than two (2) members present in person. In the absence of the Chairman, the members present shall elect a chairman for the meeting from among the members present.
- 2.3 The company secretary of the Company shall act as the secretary of the ARMC (“**Secretary**”).
- 2.4 The ARMC may, as and when deemed necessary, invite other Board members, senior management personnel, representative(s) of the external auditors and internal audit function and external independent professional advisers to attend the meetings of the ARMC.
- 2.5 The ARMC shall meet with the external auditors, without the presence of the other executive directors on the Board and management personnel, at least twice in a financial year and whenever necessary.
- 2.6 Minutes of each meeting of the ARMC shall be kept at the registered office and distributed to each member of the ARMC and also to the other members of the Board. The minutes of the meeting of the ARMC shall be signed by the chairman of the said meeting or by the chairman of the next succeeding meeting.

The Chairman shall orally report on the proceedings of each meeting of the ARMC to the Board at the next Board meeting following such meeting of the ARMC.

- 2.7 Each member of the ARMC shall attend at least fifty percent (50%) of the meetings of ARMC held in each financial year.
- 2.8 A member of the ARMC shall excuse himself/herself from the meeting during discussion or deliberations of any matter which give rise to an actual or perceived conflict of interest situation for him/her.
- 2.9 The ARMC agendas shall be the responsibility of the Chairman with input from the members of the ARMC. The Chairman may also ask management and others to participate in this process.
- 2.10 The ARMC, via the Chairman, shall report matter(s) discussed and deliberated by the ARMC to the Board, which requires attention and approval of the Board. When presenting any recommendation to the Board, the ARMC will provide such background and supporting information as may be necessary for the Board to make an informed decision.

2.11 Each member of the ARMC is entitled to one (1) vote in deciding the matters deliberated in the meeting. The decision that gained the majority votes shall be the decision of the ARMC. In the event of an equality of votes, the chairperson shall be entitled to a second or casting vote.

3.0 Circular Resolution

A resolution in writing signed or approved by letter, electronic mail, telefax or other written electronic communications by the majority of the members of the ARMC who constitute a quorum, shall be valid and effectual as if it had been passed at a meeting of the ARMC duly convened and held. All such resolutions shall be forwarded or otherwise delivered to the Secretary and shall be recorded by the Secretary in the Company's minutes book. Any such resolution may consist of several documents in like form, each signed by one (1) or more members.

4.0 Authority

4.1 The ARMC 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 this Terms of Reference. It shall have the authority to seek any information it requires from any employee of the Group and all employees are directed to co-operate with any request made by the ARMC;
- b) have full and unrestricted access to any employee and information or documents pertaining to the Group or resources which are required to perform its duties as well as to the internal audit function and external auditors and senior management;
- c) have direct communication channels with the person(s) carrying out the internal audit function or activity and external auditors, and with the management of the Group, and shall be able to convene meetings with the external auditors, the person(s) carrying out the internal audit function or activity or both, excluding the attendance of other directors and employees of the Group, whenever deemed necessary;
- d) be able to obtain independent professional advice or other advice from relevant parties and to invite them to attend its meeting, if necessary;
- e) may conduct or may authorise a third party to conduct specific assessment into any activity or function within the Group so far as it relates to the duties of the ARMC and is in accordance with this Terms of Reference; and

- f) make recommendations to the Board regarding appropriate actions resulting from any such third party assessment.

4.2 Where the ARMC is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Main Market Listing Requirements of Bursa Securities, the ARMC shall promptly report such matter to Bursa Securities.

5.0 Duties and Responsibilities

a) Risk Management and Internal Control

- To ensure the adequacy and effectiveness of the internal control and governance systems instituted in the Company and the Group.
- To assess the quality, effectiveness and efficiency of the internal control in systems and processes of the Group's operations, particularly those relating to areas of significant risks.
- To review the evaluation by the Head of Audit and Risk (of the internal audit function within the Group) and external auditors of the Group's system of internal control and management's responses, and ensure that appropriate action is taken and thereafter report the same to the Board.
- To approve and oversee the implementation of appropriate risk management framework and measurement methodologies across the Group and ensuring effectiveness of the same.
- To review the risk management framework and processes to ensure that they remain relevant for use and monitor the effectiveness of risk treatment/mitigation action plans for the management and control of the key risks.
- To advise the Board on the adequacy and effectiveness of the Group's risk management framework.
- To provide advice to the Board on risk strategies and coordinate the activities of various standing board committees for risk oversight.
- To identify, assess and monitor key business risks and review the extent to which these key business risks are being managed.

- To ensure infrastructure, resources and systems are in place and are adequate for purpose of risk management.
- To review the management's periodic reports on risk exposure, risk portfolio composition and risk management activities.
- To provide timely input to the management on critical risk issues.
- To review and monitor the Group's enterprise risk assessment and identify critical risks to be escalated to the Board on a quarterly basis.
- To work with the Group's chief financial officer and internal audit function and contribute to the preparation of the Statement on Risk Management and Internal Control for inclusion in the Company's annual report, and recommending the same for the approval of the Board.

b) Internal Audit

- To ensure that the internal audit function reports directly to the ARMC.
- To review and report to the Board on the adequacy of the scope, plan, functions, competency, resources and budget of the internal audit function and whether it has the necessary authority to carry out its work.
- To review and report to the Board on the internal audit plan, processes, the results of the internal audit assessments, investigation undertaken and whether or not appropriate action is taken on the recommendations.
- To evaluate the effectiveness and independence of the internal audit function.
- To review and approve the internal audit charter which defines the purpose, authority and responsibilities of the Head of Audit and Risk and the internal audit function.
- To perform any appraisal or assessment of the performance of the internal audit function, including the Head of Audit and Risk and the internal audit manager(s); and to decide on the appointment or termination of as well as the remuneration of those in the internal audit function including the Head of Audit and Risk and the internal audit manager(s).

To take cognisance of resignations of internal audit staff members and provide the resigning member an opportunity to submit the reasons for resigning.

To direct any special investigations to be carried out by the internal audit function as and when necessary and consider the major findings of the internal investigations and management's response.

c) External Audit

- To review with the external auditor the following: (a) the audit plan; (b) the external auditor's evaluation of the Group's system of internal controls; and (c) the external auditor's audit report, and report the same to the Board, including any significant audit findings, difficulties encountered or material weaknesses reported by the external auditors.
- To review and report to the Board on the assistance given by the employees of the Company to the external auditor.
- To evaluate the nature and scope of their audits, including the terms as detailed in the external auditor's engagement letter and any changes to the audit plan and to ensure an effective coordination of audit where more than one audit firm is involved.
- To evaluate the performance of external auditors, the audit fee and any question of resignation or dismissal including any written explanations before making recommendations to the Board.
- To review and report to the Board on any letter of resignation from the external auditors and whether there is reason (supported by grounds) to believe that the external auditor is not suitable for re-appointment.
- To recommend the nomination of a person or persons as external auditors.
- To establish proper policies and procedures to assess the suitability, objectivity and independence of external auditors, that includes, amongst others:
 - i) obtaining written assurance from external auditors confirming they are, and have been, independent throughout the conduct of audit engagement in accordance with all relevant professional and regulatory requirements;

- ii) taking into consideration the competence, audit quality and resource capacity of the external auditors in relation to the audit; and
- iii) assessing the nature and extent of non-audit services rendered by the external auditors and/or their affiliated companies or firms, and the appropriateness of the level of fees.

d) Audit Reports

- To review internal and external audit reports together with management's responses to ensure that appropriate and prompt remedial action is taken by management on major deficiencies in controls or procedures that are identified, including status of previous audit recommendations.
- To review and evaluate appropriate action on the findings of internal investigations and related management responses.

e) Financial Reporting

- To review the quarterly results and the year-end financial statements of the Company and the Group for recommendation to the Board for approval, focusing particularly on:
 - i) changes in or implementation of accounting policies and practices;
 - ii) significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions, and how these matters are addressed;
 - iii) significant adjustments arising from the external audit;
 - iv) the appropriateness of the going concern assumption used in preparation of the financial statements; and
 - v) compliance with accounting standards and other legal requirements.
- To review the ARMC report and statement on risk management and internal control for publication in the Company's annual report.
- To ensure that the finance function is equipped with adequate resources and the right infrastructure to support the financial reporting process.

f) Related Party Transactions

- (i) To assess and report to the Board on any related party transaction and conflict of interests situation that may arise within the Company or the Group, including any transactions, procedures or course of conduct that raises questions of management integrity and might not be in compliance with applicable law and regulations.
- (ii) In reviewing related party transactions, to consider, amongst others, the following factors:
 - (1) the rationale and the cost/benefit to the Company;
 - (2) comparative quotes, where possible;
 - (3) whether such related party transactions are based on normal commercial terms and not more favourable to the related parties than those generally available to third parties dealing on an arm's length basis; and
 - (4) such related party transactions are not detrimental to the Company's minority shareholders.
- (iii) To determine how to address conflict of interest situations and monitor compliance with related party transaction policy and/or mandate, including transactions or situations that warrant timely internal and regulatory disclosures and appropriate review and reporting and ensure that management establishes a comprehensive framework for the purposes of identifying, evaluating, approving, reporting and monitoring such situations and transactions.
- (iv) To review the draft circular with respect to obtaining shareholder's mandate on any recurrent related party transactions of a revenue or trading nature, before submission to the Board.

g) Allocation under Employees' Share Option Scheme (ESOS)

To verify the allocation of shares or options pursuant to an employees' share option scheme complies with the criteria for allocation pursuant to the share scheme for employees of the Group, if any.

h) Whistleblowing

To oversee the implementation of a whistleblowing policy and procedures of the Group, as well as review major findings of any internal investigations and management responses thereon.

To report to the Board of any suspected frauds or irregularities, serious internal control deficiencies or suspected infringement of laws, rules and regulations which comes to its attention and are of sufficient importance to warrant the attention of the Board.

i) To review the effectiveness of the system for monitoring compliance with applicable laws, regulations, rules, directives and guidelines, and the results of management's investigation and follow-up (including disciplinary action) or any instances of non-compliance.

j) To review the findings of any examinations by regulatory authorities and obtain updates from the management and the legal counsel regarding regulatory compliance matters.

k) Other Functions

To perform such other functions as the ARMC considers appropriate or as authorised by the Board.

6.0 Term of Office

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

7.0 Review of the Terms of Reference

The ARMC shall review and assess the adequacy of this Terms of Reference on a periodic basis as determined by the ARMC or as and when necessary. Any proposed changes to this Terms of Reference shall be approved by the Board.

This Terms of Reference was reviewed and approved by the Board on 27 September 2021.