

Revision Date : 26 April 2024



BINASTRA CORPORATION BERHAD
(Formerly known as Comintel Corporation Bhd)
(Registration No. 200301027648 [630068-T])
(Incorporated in Malaysia)

**TERM OF REFERENCE
OF THE
AUDIT AND RISK MANAGEMENT
COMMITTEE**

Binastra Corporation Berhad

(Formerly known as Comintel Corporation Bhd)

Registration No. 200301027648 (630068-T)

Term of Reference of the Audit and Risk Management Committee

1. Objectives

The Audit Committee was renamed as Audit and Risk Management Committee (the “**Committee**”) on 23 April 2020 and was established to act as a Committee of the Board of Directors (the “**Board**”) with the primary objective of providing an additional assurance to the Board by giving an objective and independent review of financial, operational and administrative controls and procedures, establishing and maintaining internal controls and procedures, establishing and maintaining internal controls and reinforce the independence of the Company’s external auditors, thereby ensuring that the auditors have free reign in the audit process as well as to overseeing the risk management matters relating to the Company and its subsidiaries (the “**Group**”) in order to assist the Board to govern and minimise the overall risk exposure of the Group.

2. Composition of Members

- (a) The members of the Committee shall be appointed by the Board from amongst its Directors to form the Committee which fulfils the following requirements:-
- (i) the Committee must be composed of not fewer than 3 members:
 - (ii) all the Committee members must be non-executive directors, with a majority of them being independent directors; and
 - (iii) at least 1 member of the Committee-
 - must be a member of the Malaysian Institute of Accountants; or
 - if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years’ working experience and:
 - he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - he 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
 - fulfils such other requirements as prescribed or approved by the Bursa Malaysia Securities Berhad.
- (b) No alternate director shall be appointed as a member of the Committee.
- (c) A member who was a former partner of the external audit firm of the Company is required to observe a cooling-off period of at least 3 years before being appointed to the Committee. This applies to all former partners of the audit firm and/or the affiliates firm (including those providing advisory services, tax consultancy, etc).
- (d) The Committee shall elect a chairman (“**Chairman**”) from among its members and the elected Chairman shall be an Independent Director and shall not be the chairman of the Board. Thereafter the Committee shall recommend the elected Chairman to the Board for approval.
- (e) In the event of any vacancy in the Committee resulting in the non-compliance of the abovementioned composition, the Company shall fill the vacancy within three (3) months of that event.
- (f) A member of the Committee who wishes to retire or resign should provide sufficient written notice to the Company so that a replacement may be appointed before he or she leaves.

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- (g) The Board via its Nomination Committee shall review the term of office and performance of the Committee and each of its members annually to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

3. Secretary

The Company Secretary shall be the secretary of the Committee (“**Secretary**”) and shall be responsible, in consultation with the Chairman, for drawing up the agenda and circulating it prior to each meeting.

The Secretary shall also be responsible for keeping the minutes of meetings of the Committee and circulating them to the Committee members.

The Committee members may inspect the minutes of the Committee at the Registered Office or such other place as may be determined by the Committee.

4. Meetings

The Committee shall meet at least four (4) times in each financial year and as and when there are matters referred to them for consideration, with reasonable notice as the Committee members deem fit of issues to be discussed. A member of the Committee may at any time and the Secretary shall on the requisition of a member summon a meeting of the Committee. The external auditors and internal auditors may also request a meeting if they consider it necessary.

The quorum for a meeting shall be 2 members, provided that the majority of members present at the meeting shall be independent.

The Chief Financial Officer and the Head of Internal Audit of the Company shall normally attend all meetings of the Committee. The presence of external auditors and internal auditors or their representatives may be requested, if required. At least twice a year, the Committee shall meet the external auditors without the presence of the Executive Directors and Management staff members. Other Board members, employees and external independent professional advisers may attend meetings upon the invitation of the Committee.

Minutes of each meeting shall be circulated to the Committee members and presented to the Board. Issues discussed and actions recommended by the Committee shall be presented and reported to the Board for decision.

If need arises, issues may be resolved through circular resolution. A circular resolution in writing, signed by ALL members, shall be valid and effective as if it has been passed at a meeting duly convened and constituted.

5. Authority

The Committee shall in accordance with a procedure to be determined by the Board and at the cost of the Company, wherever necessary and reasonable for the performance of its duties, has the following authority as empowered by the Board:

- (a) have authority to investigate any matter within its terms of reference;
- (b) have the resources which are required to perform its duties;

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- (c) have full and unrestricted access to any information pertaining to the Company or Group;
- (d) have direct communication channels with the external auditors and persons carrying out the internal audit function or activity;
- (e) be able to obtain independent professional or other advice; and
- (f) be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

6. Functions of the Committee

The Committee shall, amongst others, discharge the following functions:-

- (a) overseeing the financial reporting;
- (b) reviewing conflict of interest situations and related party transactions;
- (c) seeking assurance of the effectiveness and adequacy of the systems of internal controls;
- (d) evaluating the internal audit process; and
- (e) evaluating the external audit process.

6.1 Oversight of financial reporting

The Committee shall review the quarterly results and year-end financial statements and the annual report prior to approval by the Board, focusing particularly on:-

- (i) changes in or implementation of major accounting policy changes;
- (ii) significant adjustments arising from the audit;
- (iii) significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed; and
- (iv) compliance with accounting standards and other legal requirements.

6.2 Review of conflict of interest situations and related party transactions

The Committee is tasked to review and report to the Board on any related party transactions (including recurrent related party transactions) and conflict of interest situations that may arise within the Group. This includes any transaction, procedure or course of conduct that raises questions of Management's integrity. The Committee should therefore ensure that the transactions carried out are amongst others, in the best interest of the Company as well as not detrimental to its minority shareholders.

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6.3 Review and assessment of systems of risk management

In relation to the risk management, the Committee shall:-

- (i) provide an objective view on the effectiveness of the risk management framework, review and monitor risk reporting;
- (ii) act as an advisor, educator and change catalyst in risk and control areas in the organisation;
- (iii) provide an independent view on specific risk and control issues, trends and events;
- (iv) evaluate how the management is reviewing the principal business risks and assess the appropriateness of the mechanisms in place to identify, prevent and minimise these business risks;
- (v) ensure an appropriate system is established to identify and report on areas of potential business risk timely for remedial actions to be taken;
- (vi) recommend to the Board its findings and propose course of actions to be taken to ensure controls are put in place to address these risks. Senior management of the Group is responsible for the actions to be taken;
- (vii) seek regular assurance from management to ensure alignment of risk management strategies and culture with the Group's business objectives;
- (viii) seek regular assurance from management to ensure that appropriate risk reporting structure is established to facilitate reporting of risks to management and the Board;
- (ix) seek regular assurance from management to ensure that a comprehensive risk management approach is in place to identify risks, communicate risk inter-relationships and manage risk profiles across the organisation.

6.4 Evaluation on internal audit

The internal audit function shall report directly to the Committee. The Committee should be responsible for deciding on the appointment and removal as well as the performance evaluation and remuneration of those in the internal audit function. The Committee is tasked to do the following, in relation to the internal audit function:-

- (a) review the adequacy of the scope, competency and resources of the internal audit function and that it has the necessary authority to carry out its work; and
- (b) review 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.

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6.5 Evaluation on external audit

- (a) To review with the external auditors on the following and report the same to the Board:-
- the audit plan, its scope and nature;
 - the evaluation of the accounting policies and system of internal controls within the Group;
 - the audit report and management letter issued by the external auditors and the implementation of audit recommendations; and
 - the level of co-operation rendered by the officers of the Company to external auditors, including any difficulties or disputes with Management encountered during the audit;
- (b) To review any letter of resignation from the external auditors;
- (c) To review whether there is any reason (supported by grounds) to believe that the Company's external auditors is not suitable for re-appointment;
- (d) To consider the appointment of auditors, the audit fee and recommending the nomination of person or persons as auditors; and
- (e) To assess the suitability, objectivity and independence of the external auditors annually by considering among others:
- the competence, audit quality and resource capacity of the external auditors in relation to the audit;
 - the appropriateness of audit fees to support a quality audit;
 - the nature and extent of the non-audit services rendered and the appropriateness of the level of fees; and
 - 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.

6.6 Other functions

- (a) To assist the Board annually in preparing the Committee's Report that complies with the Listing Requirements of Bursa Malaysia Securities Berhad.
- (b) To review the allocation of options pursuant to the employees share option scheme and make such statement to be included in the annual report of the Company in relation to share scheme for employees.
- (c) To review and approve non-audit services to be rendered by the external auditors and its affiliates while taking into account the nature and extent of the non-audit services and the appropriateness of the level of fees.

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- (d) To review all areas of significant financial risk and to ensure that the arrangements are in place to contain these risks to acceptable level.
- (e) To take such other actions and do such things as may be referred to it from time to time by the Board.

7. Review of the Terms of Reference

This Terms of Reference shall be reviewed periodically (subject to at least once in every 3 years) in accordance with the needs of the Company and the Board's approval shall be obtained for any amendment or changes proposed by the Committee or any third parties from time to time.