

CITAGLOBAL BERHAD

[Registration No. 200401027590 (666098-X)]
(Incorporated in Malaysia)

TERMS OF REFERENCE OF THE AUDIT AND RISK COMMITTEE

(Updated and approved on 22 November 2023)

1. Objectives

The principal objectives of the Audit and Risk Committee ("**ARC**") are to assist the Board of Directors ("**Board**") in discharging its statutory and fiduciary duties and responsibilities relating to financial reporting processes, the system of internal controls and management of enterprise risk; audit processes and sustainability initiatives of the Company and its subsidiaries ("**Group**"). In addition, the ARC 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;
- (d) determine the quality, adequacy and effectiveness of the Group and Company's control environment;
- (e) review key business risks and recommend risk management policies and strategies for the Company and the Group; and
- (f) oversee the risk management framework and activities of the Group and regularly assess the adequacy and effectiveness of the Group's risk management processes.

2. Composition

Members of the Committee shall be appointed by the Board from amongst the Directors and the Committee shall fulfill the following requirements:-

- a. Membership shall consist of no fewer than three (3) members;
- b. All the members must be Non-Executive Directors, with a majority of them being Independent Directors;

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

- c. All members of the ARC should be financially literate and at least one (1) member of the ARC must be:-
 - a member of the Malaysian Institute of Accountants ("**MIA**"); or
 - if he/she is not a member of the MIA, he/she must have at least three (3) years of working experience, and:-

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- i. He/she must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - ii. He/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.
- The following qualifications are also acceptable:
 - (a) either one of the following qualifications and at least three (3) years' post qualification experience in accounting or finance:
 - i. a degree/masters/doctorate in accounting or finance; or
 - ii. a member of any professional accountancy organisation which has been admitted as a full member of the International Federation of Accountants;
 - or
 - (b) has at least seven (7) years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.
- d. Shall not comprise any alternate director of the Company.
 - e. No former key audit partner of the Company's external auditors shall be appointed as a member of the ARC unless the said former key audit partner has observed a cooling-off period of at least three (3) years before being appointed as a member of the ARC.
 - f. All members of the ARC should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

Retirement and resignation

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

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

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In the event of any vacancy in the Chairman of the ARC resulting in non-compliance of the MMLR of Bursa Securities, the election of an independent Chairman of the ARC shall be filled within three (3) months.

4. Secretary(ies)

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

5. Review of the ARC

The ARC shall conduct a self-assessment annually to monitor its overall effectiveness in meeting its responsibilities and report the results to the Board.

The Nomination and Remuneration Committee of the Company shall review the composition, term of office and effectiveness of the ARC and each of its members annually to determine whether the ARC and its members have carried out their duties in accordance with their terms of reference.

6. Meetings

The ARC shall meet regularly, with due notice of issues to be discussed, and shall record its conclusions in discharging its duties and responsibilities. In addition, the Chairman or any other member of the ARC may call for additional meetings at any time at their discretion.

The ARC 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 ARC shall convene a meeting of the ARC to consider any matter the external auditors believe should be brought to the attention of the Directors or shareholders.

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

The ARC members shall engage on a continuous basis with Senior Management, such as the Executive Directors and Key Senior Management, the internal auditors and the external auditors in order to be kept informed of matters affecting the Company.

The Executive Directors, Key Senior Management, the internal auditors and representative(s) of the external auditors would attend meetings upon the invitation of the Chairman of the ARC. Other Board members and employees may also attend meetings upon the invitation of the ARC. However, the ARC shall meet with the external auditors, internal auditors or both without executive Board members and other Senior Management present at least once a year and whenever deemed necessary.

Questions arising at any meeting of the ARC shall be decided by a majority of votes of the members present, and in the case of equality of votes, the Chairman of the

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ARC shall have a second or casting vote. An ARC member shall abstain from deliberations and voting in respect of any matter which may give rise to an actual or perceived conflict of interest situation.

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

7. Minutes

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

The minutes of the ARC 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.

8. Quorum

The quorum for an ARC meeting shall be the majority of members present who must be Independent Directors.

9. Circular Resolution

A resolution in writing signed by a majority of the ARC members for the time being shall be as valid and effectual as if it had been passed at a meeting of the ARC duly called and constituted. Any such resolution may consist of several documents in like form, each signed by one (1) or more ARC members. Any such document may be accepted as sufficiently signed by an ARC member if transmitted to the Company by telex, telegram, cable, facsimile or other electrical or digital written message to include a signature of an ARC member.

10. Reporting

The ARC shall report to the Board of Directors, either formally in writing, or verbally, as it considers appropriate on the matters within its terms of reference at least four (4) times a year, but more frequently if it so wishes.

The ARC shall report to the Board of Directors on any specific matters referred to it by the Board for investigation and report.

11. Authority

In discharging its function, the ARC is duly authorised by the Board and at the expense of the Company to:-

- a. have explicit authority to investigate any matter of the Group within its terms of reference. All employees shall be directed to cooperate as requested by members of the ARC;
- b. have the resources which are required to perform its duties;
- c. have full and unrestricted access to any information and documents pertaining to the Company and the Group which are required to perform its duties as well

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as to the internal and external auditors and Senior Management of the Company and Group;

- d. obtain external independent professional or other advice and invite outsiders with relevant experience and expertise to attend meetings and to advise the ARC, if necessary;
- e. have direct communication channels with external auditors and person(s) carrying out the internal audit function or activity;
- f. be able to convene meetings with the external auditors, internal auditor or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary; and
- g. report to Bursa Securities if and when the ARC is of the view that a matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Securities.
- h. be entitled to the services of the Company Secretary(ies); and
- i. be entitled to appoint management-level personnel to perform duties to support the ARC in discharging its functions and duties.

Notwithstanding anything contrary hereinbefore stated, the ARC does not have executive powers and shall report to the Board on matters considered and its recommendations thereon, pertaining to the Company and the Group.

12. Duties and Responsibilities

The overall roles and responsibilities of the ARC shall include, the following:-

- i. Oversees financial reporting;
- ii. Reviews conflict of interests and related party transactions;
- iii. Assess the internal control environment;
- iv. Evaluates the internal audit process;
- v. Evaluate the external audit process; and
- vi. Oversees risk management matters.

The details of the roles and responsibilities are further elaborated as follows:

12.1 Financial Reporting

Review the quarterly and year-end financial statements of the Company and the Group, prior to approval by the Board, focusing particularly on:-

- i. any changes in accounting policies and practices;
- ii. significant matters highlighted including financial reporting issues, significant judgements made by Management, significant adjustments arising from the audit, significant and unusual events or transactions, and how these matters are addressed; and

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- iii. compliance with applicable approved accounting standards and other relevant legal-requirements.

12.2 External Audit

- (a) Consider and recommend the appointment and re-appointment of the external auditors, the audit fee and any question of resignation or dismissal, including review of any letter of resignation of the external auditors and whether there is a reason (supported by grounds) to believe that the external auditors are not suitable for re-appointment;
- (b) Set the criteria used to guide decisions on appointment and re-appointment of the external auditor such as:-
- the adequacy of the experience and resources of the accounting firm;
 - the persons assigned to the audit;
 - the accounting firm's audit engagements;
 - the size and complexity of the listed corporation's group being audited; and
 - the number and experience of supervisory and professional staff assigned to the particular audit;
- (c) Assess the performance, suitability, objectivity and independence of the external auditors including obtaining written 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;
- (d) Discuss with the external auditors before the audit commences, the audit plan, particularly the nature and scope of the audit, and ensure co-ordination where more than one (1) audit firm is involved;
- (e) Review with the external auditors the evaluation of the system of internal controls and the audit report;
- (f) Review the quarterly and year-end financial statements of the Company and the Group before recommendation to the Board, focusing particularly on:-
- any change or implementation of major accounting policies and practices;
 - significant matters highlighted including financial reporting issues, significant judgments made by the management, significant and unusual events or transactions, and how these matters are addressed;
 - the going concern assumption; and
 - compliance with accounting standards and other legal requirements;

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- (g) Discuss any significant audit findings, reservations and difficulties encountered arising from the interim and final audits, or material internal control weaknesses reported by the external auditors and any matter the external auditors may wish to discuss (in the absence of Management);
- (h) Review the external auditors' management letter and the management's response;
- (i) Review the assistance given by the Company's Management to the external auditors;
- (j) Assess the suitability, objectivity and independence of the Company's external auditors; and
- (k) Establish policies governing the circumstances under which contracts for the provision of non-audit services can be entered into and procedures that must be followed by the external auditors.

12.3 Internal Audit Function

12.3.1 Outsource internal audit function:

- (a) Consider and approve the appointment of the internal auditors, the internal audit fee and any question of resignation or dismissal;
- (b) 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;
- (c) Review the internal audit plans, processes and the results of the internal audit assessments as well as investigations undertaken; and whether or not appropriate actions are taken by the Management on the recommendations;
- (d) Review and decide on the budget allocated to the internal audit function;
- (e) Conduct performance evaluation of the internal audit function; and
- (f) To approve any appointment or termination of the internal auditors.

12.3.2 In-house internal audit function:

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- (a) Review and approve the Internal Audit Charter, which defines the purpose, authority, scope and responsibility of the internal audit function in the Group.
- (b) Review the internal audit function (internally known as Internal Audit & Risk Management Department ("**IARMD**")) to determine whether its activities are performed independently and with impartiality, proficiency and due professional care according to recognized framework. The ARC shall determine the authority and the area of responsibility of the internal audit function;
- (c) Review and approve the annual internal audit plans, review the adequacy of the scope, budget and resources of the IARMD and determine that it has the necessary authority to carry out its work. The ARC shall undertake such review at least once a year to ensure the effectiveness of the internal audit function;
- (d) Review the internal audit plans, processes and the results of the internal audit assessments as well as investigations undertaken; and whether or not appropriate actions are taken by the Management on the recommendations;
- (e) Review the extent of assistance and co-operation given by the Group and the Group's employees to the internal auditors;
- (f) Review any appraisal or assessment of the performance of the Head of Internal Audit of the IARMD;
- (g) Review and approve the appointment, replacement or termination of the Head of Internal Audit;
- (h) Take cognisance of the Head of Internal Audit's resignation and provide him/her an opportunity to submit his/her reason for resigning; and

12.4 Related Party Transactions and Conflict of Interests

- (a) Review any related party transactions entered into by the Group, including the review and monitoring of recurrent related party transactions for which shareholders' mandate has been granted, to determine whether:
 - the transactions are in the best interests of the Company;
 - the transactions are fair, reasonable and on normal commercial terms;
 - the transactions are detrimental to the interest of the minority shareholders, together with the basis for its views;
 - the internal control procedures with regard to such transactions are sufficient and have been complied with; and

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- there is compliance with other relevant provisions of the MMLR and Practice Notes that may be amended by Bursa Securities from time to time;
- (b) Ensure that Management establishes a comprehensive framework for the purposes of identifying, evaluating, approving, reporting and monitoring relating party transactions and that the framework put in place enables such matters to be brought to the attention of the ARC for its consideration; and
- (c) To consider any related party transactions and conflict of interest situations that may arise, persist or may arise within the Company or Group, including any transaction, procedure, or course of conduct that raises questions of Management's integrity, and the measures taken to resolve, eliminate, or mitigate such conflicts.

12.5 Risk Management and Internal Control

- (a) Apply the guidance set out in the "*Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers*" which is issued by the *Taskforce on Internal Control* on the key elements needed in maintaining a sound system of risk management and internal control and the processes that should be considered in reviewing its effectiveness, including the necessary reliance on Management to implement and monitor and provide assurances to the Board on whether the Company's risk management and internal control system is operating adequately and effectively. The ARC should annually receive assurance from the Group Chief Operating Officer, Group Chief Executive Officer or the Group Chief Financial Officer on whether the Group's risk management and internal control system is operating adequately and effectively and report to the Board;
- (b) Oversee the design and implementation of the Risk Management Framework/Policy by Management, and ensure that it remains relevant and effective. This should include identification and management of new or emerging risks arising as a result of changes in the political, economic, social, regulatory, technological and business environment and the organisation's ability to respond to constant changes to the business and/or external environment;
- (c) Review, at least annually, with relevant staff members of the Group, the internal auditors, the external auditors and, where necessary, any other relevant persons, the adequacy and effectiveness of the Group's Risk Management Framework/Policy to identify risks and the systems to monitor, report and manage these risks;
- (d) Recommend for Board's approval on the changes to Group's Risk Management Framework/Policy, if any;
- (e) Oversee the execution of Risk Management activities and the implementation of the Company's overall risk management strategy;
- (f) Review periodic reports provided by the IARMD on high and critical risks impeding the achievement of the Group's strategic objectives including

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the management and mitigation of those risks and provide advice to the Board on the impact of these risks;

- (g) Provide advice to the Board and recommend risk management strategies, risk appetite and parameters for different categories of risks. This should include monitoring material risk exposures and ensuring that these are within the risk appetite approved by the Board;
- (h) Provide oversight over risk management programmes to create awareness and reinforce risk management concepts and promote risk culture;
- (i) Review, at least annually, with the external auditors, the internal auditors, and, if and to the extent deemed appropriate by the Chairman of the ARC, members of their respective staff, the adequacy and integrity of the Group's internal controls including information technology and network controls, the Group's financial, auditing and accounting organisations (including maintenance of proper records and accounts) and personnel and the Group's policies and compliance procedures with respect to business practices; and
- (j) Review the Statement on Risk Management and Internal Control with the external auditors, and Management for inclusion in the Annual Report.

12.6 Sustainability

- (a) Review the implementation of the Group's sustainability-related strategies and initiatives;
- (b) Monitor the establishment and maintenance of a process, including controls, policies and procedures, for the systematic identification, assessment, prioritisation, management, monitoring and reporting of the Group's material economic, environmental and social risks and opportunities; and
- (c) Review the Sustainability Statement for inclusion in the Company's Annual Report.

12.7 Other Matters

- (a) Perform the oversight function over the administration of **whistleblowing policy** that is approved and adopted by the Board and to protect the values of transparency, integrity, impartiality and accountability where the Group conducts its business and affairs;
- (b) Efficiency and efficacy of operations of the Group and any other matters, which would improve the governance of the Group's operations including ensuring that there is an adequate group wide framework and communication between the Company and its subsidiaries to enable the Company to discharge its responsibilities including exercising oversight of group financial and non-financial performance, business strategy and priorities, risk management including material sustainability risks and corporate governance policies and practices;

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- (c) Monitor the Group's compliance with relevant laws, regulations and code of conduct; and
- (d) Perform other matters as the ARC considers appropriate or as defined or delegated by the Board.
- (e) Review the ARC Report and Corporate Governance Report for inclusion in the Company's Annual Report.

13. Review of the Terms of Reference

The Terms of Reference shall be reviewed and updated by the ARC on a periodic basis as it deems appropriate for the Board to approve. Such review shall be in line with any regulations that may have an impact on the discharge of the ARC's responsibilities.