

CARLO RINO GROUP BERHAD
(formerly known as CRG Incorporated Berhad)
Registration No. 200901037127 (880257-A)
Incorporated in Malaysia

TERMS OF REFERENCE - AUDIT & RISK MANAGEMENT COMMITTEE

1.0 OBJECTIVE

- 1.1 The objective of the Audit & Risk Management Committee (“ACom”) is to provide independent assurance and assistance to the Board of Directors (“Board”) of Carlo Rino Group Berhad (formerly known as CRG Incorporated Berhad) (“CRG” or “Company”, and references to “CRG Group” or “Group” are to CRG and its subsidiaries) on risk management, control, governance and external accountability responsibilities.
- 1.2 The ACom shall examine the Group’s matters pertaining to the financial reporting, risk management and internal control, internal and external audit processes, related party transaction and conflict of interests’ situation, and to submit to the Board its recommendation and/or reports on matters within its purview or other matters of the Group referred to it by the Board, for the Board’s consideration.
- 1.3 The Nomination Committee and the Board of the Company shall review the term of office and performance of the ACom and each of its members annually to determine whether the ACom and its members have carried out their duties in accordance with the Terms of Reference of the ACom.
- 1.4 This Terms of Reference should be read together with the legislation as follows, where relevant:
- Companies Act 2016; and
 - the applicable listing requirements of Bursa Malaysia Securities Berhad.
- (Note: This Terms of Reference is not intended to contain a comprehensive summary of the applicable legal principles. Board members requiring advise in respect of any matter referred to in this Terms of Reference may contact the Company Secretary of CRG)
- 1.5 This Terms of Reference is complementary to the applicable legislation and the provisions of the Constitution of the Company. Where there is a conflict between the contents of this Terms of Reference and the aforementioned legislations, or the Constitution of the Company, the relevant enumerations contained in the said legislations or the Constitution of the Company shall prevail.

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1.6 In formulating this Terms of Reference, the Company has also taken into account the Issuers Communication Notes No. 1/2023 (ICN 1/2023)-Guidance on Conflict of Interest issued by Bursa Malaysia Securities Berhad, and the recommendations contained in the Malaysian Code on Corporate Governance 2021 (“MCCG”) issued by the Securities Commission Malaysia.

2.0 MEMBERSHIP

2.1 The size of the ACom shall be determined by the needs of the Company from time to time. Nevertheless, the ACom composition shall always be in full compliance with the Constitution of the Company, the current and applicable laws and regulations governing companies in Malaysia as well as the applicable listing requirements of Bursa Malaysia Securities Berhad.

2.2 The Chairman of the ACom shall be an Independent Director or Senior Independent Director and shall not be the Chairman of the Board. This is to ensure that the objectivity of the Board’s review of the ACom’s findings and recommendations is not impaired.

2.3 Collectively, the ACom shall possess a wide range of necessary skills to discharge its duties. All members of ACom should be financially literate, competent and are able to understand matters under the purview of the ACom including the financial reporting process.

2.4 No former partner of the external audit firm of the Company [Note: This applies to 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 ACom, unless he has observed a cooling-off period of at least 3 years before such appointment or such other prescribed period under the applicable listing requirements of Bursa Malaysia Securities Berhad.

2.5 The office of an ACom member shall automatically be vacated when he ceases to be a Director of the Company.

2.6 All members of the ACom shall undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

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3.0 AUTHORITY

3.1 The ACom shall have the following authority as empowered by the Board:

- to investigate any matter within the Terms of Reference of the ACom;
- have the resources which are required to perform its duties and responsibilities;
- have full and unrestricted access to any information pertaining to the Group;
- have direct communication channels with the external auditors, internal auditors, as well as all directors and employees of the Group;
- to obtain independent professional or other advice as necessary;
- 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.

4.0 DUTIES AND RESPONSIBILITIES

4.1 Financial Reporting

- The ACom shall review in depth the quarterly results and year-end financial statements of the Group before submission to the Board for consideration, focusing particularly on:
 - the going concern assumption;
 - any changes in or implementation of major accounting policies and practices;
 - significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions, and how these matters are addressed; and
 - compliance with applicable accounting standards, regulatory and other legal requirements for financial reporting.
- The ACom to consider any legal matters of the Group that may have a significant impact on the Group's financial statements.

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4.2 External Auditing

- The ACom shall review the following matters with the external auditors:
 - the audit plan, its nature and scope;
 - the audit report;
 - there being no conflict of interests situation that could affect the independence of the external auditors;
 - the external auditors' evaluation of system of internal control and significant suggestions for improvements and management's response thereto;
 - the external auditors' management letter and the management's response thereto;
 - the problems and reservations arising from the interim and final external audits, and any matters the external auditors and/or internal auditors may wish to discuss (in the absence of management and Executive Directors of the Group, where necessary); and
 - the assistance given by the employees of the Group to the external auditors.

- The ACom establishes appropriate policies and procedures as set out in Annex A to assess the suitability, objectivity and independence of the external auditors to safeguard the quality and reliability of the audited financial statements. If the assessment result is satisfactory, the ACom will recommend the nomination of the suitable audit firm as external auditors of the Company.

- The ACom shall review and ensure the non-audit services provided by the external auditors do not impair, or appear to impair, the external auditor's independence or objectivity.

- The ACom shall review and report to the Board any significant audit findings, difficulties encountered or material weaknesses reported by the external auditors.

- The ACom also considers the appointment, removal, any letter of resignation or dismissal of the external auditors, including whether there is reason (supported by grounds) to believe that the Company's external auditors are not suitable for reappointment.

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4.3 Internal Auditing

- The ACom shall review the following in respect of internal audit:
 - the adequacy of the audit scope and coverage, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its functions;
 - the internal audit plan, processes, the results of the internal audit assessments, investigation undertaken and whether or not appropriate action has been taken on the recommendations of the internal audit functions;
 - the performance of the internal audit function; and
 - there being no conflict of interests situation that could affect the independence and objectivity of the internal audit personnel..
- The ACom also considers the appointment, removal, termination, dismissal or resignation of the internal auditors and provide the resigning internal auditors an opportunity to submit his reason for resignation.

4.4 Risk Management and Internal Control

- The ACom shall review and assess the following in respect of the Group's overall risk management and internal control:
 - the relevant policies, processes and procedures for the oversight and management of risks;
 - the risk profile, risk appetite and levels of tolerance (including subsequent review and adjustment, where necessary) and the effective communication of the same throughout the Group;
 - the management's efforts to embed a risk management in all aspect of the Group's activities and promoting a risk awareness culture within the Group;
 - the adequacy, effectiveness and integrity of the internal control to manage the selected areas representing significant risks;
 - the implementation of management action plans in mitigating significant risks identified; and
 - the efficiency and effectiveness of the review mechanism and the accountability at an executive level for risk management and internal control.

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- The ACom also considers the appropriate disclosures on the risk management and internal control in the Company's annual reports.

4.5 Related Party Transactions and Conflict of Interest

- The ACom shall review any related party transactions and situations where a conflict of interest may arise, persist or arose within the Company/Group within the "Conflict of Interest Framework" as annexed hereto as "Annex B", including any transaction, procedure or course of conduct that raises questions of management integrity, and to consider the appropriateness of such transactions before recommending them to the Board for approval.
- In respect of the recurrent related party transactions of a revenue or trading nature which are subject to shareholders' mandate, the ACom shall consider the prescribed guidelines and review procedures to monitor and ascertain that such transactions are in compliance with the terms of the shareholders' mandate.

4.6 Others

- The ACom shall review the ACom report and/or other reports that the Board may require it to review (eg. statement of risk management and internal control, integrated report and etc) prepared at the end of each financial year that complies with the provisions of the applicable listing requirements of Bursa Malaysia Securities Berhad.
- The ACom may involve and consider other matters as may be directed by the Board from time to time.
- The ACom is to report promptly to Bursa Malaysia Securities Berhad on any matter reported by it to the Board, which has not been satisfactorily resolved resulting in the breach of the applicable listing requirements of Bursa Malaysia Securities Berhad.

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5.0 MEETING GUIDELINES

- 5.1 The ACom shall meet at least 4 times a year, and meetings may be convened with the external auditors, internal auditors or both, excluding the attendance of other directors and employees of the Group, whenever deemed necessary. Both the internal and external auditors may also request a meeting if they consider that one is necessary.
- 5.2 A quorum consists of 2 members present and a majority of whom must be independent Directors.
- 5.3 The meeting and proceedings of the ACom shall be governed by the provisions of the Constitution of the Company regulating the meetings and proceedings of the Board so far as the same are applicable.
- 5.4 The Chairman of the ACom shall report on key issues discussed at each meeting to the Board.
- 5.5 Decision of the ACom may be made by a written resolution, provided it is signed by a majority of the committee members. Any such written resolution may consist of several documents in like form, each signed by 1 or more ACom members.

6.0 REVIEW OF THE TERMS OF REFERENCE

- 6.1 The ACom shall periodically review and update its Terms of Reference to ensure compliance with regulatory and legal requirements, which will take precedence over any stipulation of the Terms of Reference, and in accordance with the needs of the Company/Group that may have an impact on the discharge of the ACom's duties and responsibilities.
- 6.2 The Board's approval is mandatory for any amendments to the Terms of Reference of the ACom.

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[End]

Document ID	Version	Approval
Terms of Reference - Audit & Risk Management Committee	V1	Approved by the Board on 01 July 2023 Effective date: Upon listing on ACE Market of Bursa Malaysia Securities Berhad

Words denoting the singular shall, where applicable, include the plural and vice versa, and words denoting the masculine gender shall, where applicable, include the feminine and/or neuter gender, and vice versa. References to persons shall include corporations, unless otherwise specified.

A reference to a statute or a statutory provision herein shall be deemed to include any modification, re-enactment or consolidation thereof and any regulations, rules, orders, guidelines, practice notes, practice directives, circulars or other statutory instruments made pursuant thereto.

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Annex A

Policy and Procedures on Selection of External Auditors

I. ASSESSMENT ON EXTERNAL AUDITORS

1. The suitability and performance of the external auditors shall be evaluated by the ACom annually.
2. When assessing the suitability, objectivity and independence of the external auditors, the following shall be considered:
 - the adequacy of the experience and resources of the accounting firm;
 - the engagement team members' qualifications and experience;
 - the accounting firm's audit engagements;
 - the size and complexity of the Company/Group being audited;
 - the number and experience of supervisory and professional staff to be assigned to the particular audit;
 - the industry reputation and international presence of the accounting firm;
 - the potential conflict of interest that may jeopardise their independence;
 - the reasonableness and affordability of the cost;
 - the recent development in the news that may implicate their performance;
 - the outcome of any recent inspections on the accounting firm by the Audit Oversight Board or other oversight bodies;
 - past year(s) performance as evaluated by finance team on external auditor's ability to meet timelines, how efficient the audit issues are escalated, thoroughness and completeness of their work, professionalism, communication and quality of addressing weaknesses and improve efficiency; and
 - when comparing proposals submitted by various external auditors, the result of evaluation on the proposals as presented by the management.
3. The external auditors shall provide assurance to confirm their independence and no conflict of interest. Such assurance shall cover the period throughout the conduct of the engagement.

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4. When external auditors are engaged to carry out non-audit services for the Group, such engagement shall not impair the independence and objectivity of the external auditors.
5. The ACom shall inquire and the external auditors shall declare compliance to any key partner rotational requirement including the By-Laws of the Malaysian Institute of Accountants on maximum number of years an external audit partner can serve in the same role and the “cooling-off” years.

II. PROCEDURE TO APPOINT, RE-APPOINT, REMOVE OR CHANGE OF EXTERNAL AUDITORS

1. After considering the annual assessment result of the performance, suitability, objectivity and independence of the external auditors, the ACom to deliberate on the appropriateness of the external auditors to continue in office.
2. If the result is satisfactory, the ACom will recommend to the Board for the reappointment of the external auditors.
3. If the result is not up to the satisfactory level, the ACom will –
 - begin to source for a minimum of 2 firms that fulfill the ACom’s desired criteria in terms of size, experience, competency and independence and invite these firms to submit their audit proposals for evaluation;
 - review in depth the proposals to shortlist suitable firms;
 - interview the partners of the shortlisted firms;
 - assess the shortlisted firms based on criteria set out in I(2) above; and
 - deliberate, select the appropriate firms and present 2 possible audit firm options to the Board, together with a justified recommendation for 1 firm and the full reasoning behind its recommendation, for the consideration of the Board.
4. Removal of external auditors shall only be done in accordance with the provisions of the Companies Act 2016.

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Annex B

Conflict of Interest Framework

I. Overview

1. The applicable listing requirements of Bursa Malaysia Securities Berhad require the Company to disclose the nature and extent of any conflict of interest (“COI”) or potential COI including interest in competing business involving Directors, key senior management and legal representatives of the Company (collectively, “interested party(ies)”) in the following documents:
 - statement accompanying notices of annual general meetings pertaining to election of directors;
 - relevant immediate announcements of the said person’s appointment; and
 - annual report in the various sections including those on the profile of directors, chief executive and key senior management.
2. The ACom must review and report to the Board, any COI situation that arose, persist or may arise in each financial year together with the measures to resolve, eliminate or mitigate such conflicts, and these shall be disclosed in the report of the ACom annually.

II. What is a COI situation?

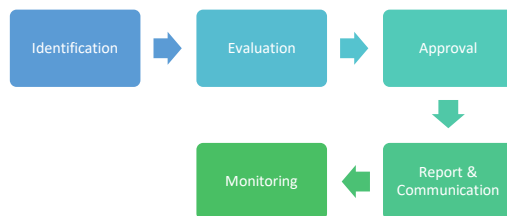
1. COI situations generally refer to circumstances where a person with a vested interest in the Group is in a position or has the opportunity to influence the Group’s business or other decisions in ways that could lead to personal gain or advantage of any kind.

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III. Managing COI situations

1. The ACom is guided by the following processes in identifying, assessing, approving, reporting and monitoring of COI situations on an ongoing basis:



Identification

The Company shall identify the situations that are likely to give rise to undue COI amongst others include the following:

- where any of the interested parties has an interest in a business that competes or is likely to compete, either directly or indirectly, with the business of the Company or its subsidiaries;
- where any of the interested parties conducts or has an interest in business transactions involving goods or services, either directly or indirectly, with the Group;
- where any of the interested parties provides or receives financial assistance from the Group; and
- where any of the interested parties leases property to or from the Group.

Evaluation

All possible COI situations shall be reported to the ACom for further evaluation by providing the ACom with the relevant information includes the following:

- background information on the Group's trading partners and transacting parties;
- information on the trading partners' directors and substantial shareholders;
- identity of related parties;
- information about the key business partners, major customers, major suppliers and parties to key contracts; and
- salient terms or arrangements of the transactions.

Key factors which must be addressed by the ACom in its oversight of COI situations are as follows:

- nature of COI situations, areas of concern, and the impact on the Group;
- identification of the interested and related parties as well as the nature of such potential transactions; and
- whether the transactions are in the best interest of the Group, and whether the necessary controls and/or safeguarding measures are in place in the management of COI, as well as the corrective and/or remedial actions to be taken in respect of each of the COI situations, to ensure that interested parties and related parties do not abuse their powers to gain an unfair advantage.

The ACom shall promptly report its findings and recommendations in respect of the COI situations to the Board for further evaluation.

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Upon receiving the findings and recommendations from the ACom, the Board shall further consider such COI situations by taking into consider all relevant factors while deliberating the COI situations for its decision.

If the COI situation is unavoidable, the Board shall manage the COI situation by selecting and implementing one or combination of the measures described below:

- segregate the team that performs the subject transaction from the interested party;
- change the subject transaction or conditions or manners of the transaction with the related party;
- formulate a control measure to mitigate the risks associated with the COI situation;
- terminate the subject transaction or any part of the subject transaction with the related party;
- or
- make disclosures that the subject transaction may unduly harm the interest of the Group.

Report & Communication

Relevant information on the COI situation shall be communicated in timely manner to the internal stakeholders to enable all relevant people within the Group to carry out their responsibilities. Prompt disclosures in the form of announcements shall be made to all stakeholders to ensure transparency of the COI situations is achieved.

The ACom reports all the COI situation that arose, persist or may arise in each financial year together with the measures to resolve, eliminate or mitigate such conflicts in the report of the ACom annually.

Monitoring

The COI situations and its impact on the Group shall be closely monitored, and modifications to the terms of the subject transaction be made as necessary. Monitoring is accomplished through ongoing management activities, separate evaluations by the ACom and the Board, or both.

2. COI will be handled on a case-by-case basis.

IV. Core Principles for Managing COI

1. CRG shall manage COI situations in an integrated manner in compliance with applicable laws and regulations.
2. CEG shall engender an organisational culture which is intolerant of conflicts of interest, and ensures employees of the Group fully aware of the impact of COI situations that can cause to the Group by providing training and education to the employees.

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3. CRG properly retains all the records concerning identifying and managing the subject transactions.
4. Regular assessments shall be carried out to check on the the adequacy and effectiveness of the COI management system and continuously makes improvement.

VI. Scope of the companies subject to COI management

1. All the companies under CRG Group shall be subject to this COI management.

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