

# **TERMS OF REFERENCE**

**OF**

## **AUDIT COMMITTEE**

(REVISION: MAY 2024)

### **POWER ROOT BERHAD**

[Company Registration No.: 200601013517 (733268-U)]

**Duly approved by the Board of Directors of Power Root Berhad via Board of  
Directors' Circular Resolution dated 8 May 2024**

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## **1.0 OBJECTIVES**

- 1.1 The primary function of the Audit Committee (AC) is to assist the Board of Directors in fulfilling the following oversight objectives on the Group activities (statutory and fiduciary responsibilities):
- Assess the Group's processes relating to its risk management control environment;
  - Oversee the financial reporting; and
  - Evaluate the internal and external audit processes
- 1.2 The AC independently review the financial statements and financial reporting process, the audit process, the adequacy and effectiveness of systems for internal controls, risk management and governance, and the process for monitoring compliance with law and regulations including Bursa Malaysia Requirements and the Power Root Code of Conduct.

## **2.0 COMPOSITION AND APPOINTMENT**

- 2.1 The Board shall elect and appoint Committee members from amongst their members, comprising no fewer than three (3) Directors, all of whom shall be Non-Executive Directors and a majority of whom shall be Independent Non-Executive Directors of the Company. No alternate Director of the Board shall be appointed as a member of the Committee.
- 2.2 The members of the AC shall be nominated by the Nominating Committee ("NC") and the Remuneration Committee ("RC") and shall be appointed by resolution of the Board.
- 2.3 The Chairman of the AC shall be elected among the members of the AC, who is not the Chairman of the Board and shall be an Independent Director.
- 2.4 The Board shall at all times ensures that at least one (1) member of the AC shall be:
- A member of the Malaysian Institute of Accountants ("MIA"); or
  - if he or she is not a member of MIA, he or she must have at least three (3) years of working experience and:
    - (i) he or she must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
    - (ii) he or she must be a member of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967.
- 2.5 If a member of the AC resigns or for any reason ceases to be a member with the result that the number of members is reduced below three (3), the Board shall within three (3) months of the event appoint such number of new members as may be required to fill the vacancy.
- 2.6 A former key audit partner is to observe a cooling-off period of at least three (3) years before being appointed as a member of the AC.
- 2.7 The NC shall review the term of office and performance of the AC and each of its members annually to determine whether the AC and its members have carried out their duties in accordance with their terms of reference.

- 2.8 All members of the AC, including the Chairman, will hold office only so long as they remain as Independent Non- Executive Directors or Non-Executive Directors of Power Root Berhad.
- 2.9 All members of the AC should be financially literate and must be able to read, analyse, interpret and understand the financial statements. They must also possess sound judgement, objectivity, integrity and sufficient management experience and knowledge of the industry.
- 2.10 A member of the AC shall excuse himself/herself from the meeting during discussions or deliberations of any matter which gives rise to an actual or perceived conflict of interest situation for him/her.

### **3.0 QUORUM AND COMMITTEE'S PROCEDURES**

- 3.1 Meetings shall be conducted at least four (4) times annually, or more frequently as circumstances dictate.
- 3.2 In order to form a quorum for the meeting, the majority of the members present must be Independent Non-Executive Directors. In the absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst the members present.
- 3.3 A meeting may be convened using conference telephone, conference videophone or any similar or other communications by electronic means as permits all persons participating in the meeting or communicate with each other simultaneously and instantaneously. A person so participating shall be regarded for all purposes as personally attending such a meeting and shall be counted in a quorum and be entitled to vote.
- 3.4 The Company Secretary or any other suitable person shall be appointed as Secretary of the Committee ("the Secretary"). The Secretary, in conjunction with the Chairman, shall draw up an agenda, which shall be circulated together with the relevant supporting papers, at least one (1) week prior to each meeting to the members of the AC. The minutes shall be circulated to members of the Board.
- 3.5 The AC may, as and when deemed necessary, invite other Board members and senior management members to attend the meetings.

The Chairman shall submit an annual report to the Board summarizing the AC's activities during the year and the related significant results and findings.

The AC shall regulate the manner of proceedings of its meetings, having regard to normal conventions on such matter.

### **4.0 CIRCULAR RESOLUTIONS**

A resolution in writing signed or approved by letter, electronic mail or facsimile by the majority of the members and constituting a quorum, shall be valid and effectual as if it had been passed at a meeting of the AC. All such resolutions shall be forwarded or otherwise delivered to the Secretary and shall be recorded by the Secretary in the Company's minute book. Any such resolution may consist of several documents in like form, each signed by one (1) or more members.

## **5.0 AUTHORITY**

- 5.1 The AC is authorized to seek any information it requires from employees, who are required to cooperate with any request made by the AC.
- 5.2 The AC shall have full and unlimited access to any information pertaining to the Group.
- 5.3 The AC shall have direct communication channels with the internal and external auditors and with senior management of the Group and shall be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of the other directors and other employees of the Group, whenever deemed necessary.
- 5.4 The AC shall have the resources that it requires to perform its duties. The AC can obtain, at the expense of the Company, outside legal or other independent professional advice it considers necessary.
- 5.5 Where the AC is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Bursa Securities' Listing Requirements, the AC shall promptly report such matter to the Bursa Securities.
- 5.6 The AC shall have unrestricted access to report on fraud or irregularities from the Internal Audit function of Power Root Berhad or those reports referred to Internal Audit function of Power Root Berhad by the management. Any unresolved matters resulting in breach of any regulatory requirements shall be reported to the Board. Where the AC 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 these requirements, the AC must promptly report such matter to Bursa Securities.

## **6.0 RESPONSIBILITIES AND DUTIES**

In fulfilling its primary objectives, the AC shall undertake the following responsibilities and duties:

### **6.1 Financial Reporting And Processes**

- (i) Review the quarterly results and the annual financial statements, prior to the approval by the Board focusing particularly on:-
- Changes in or implementation of major accounting policy changes;
  - Significant or unusual events;
  - Compliance with accounting standards and other legal requirements; and
  - Going concern assumptions
- (ii) Review with the External Auditors the audited financial statements for the purposes of approval prior to presentation to the Board for adoption, for the following:-
- Whether the External Auditors' report contains any qualification which must be properly discussed and acted upon;
  - Whether there is any significant change and adjustment in the presentation of financial statements;
  - Whether it is in compliance with the laws and accounting standards
  - Whether there is any material fluctuation in balances

- Whether there is any significant variation in audit scope and approach; and
  - Whether there is any significant commitment or contingent liability
- (iii) Discuss problems and issues arising from the interim and final audits and any matter the External Auditors may wish to discuss in the absence of the management where necessary.
- (iv) Provide assurance to the Board on the quality and reliability of financial information used by the Board and of the financial information issued publicly by Power Root Group.
- (v) Propose best practices on disclosure in financial results and annual report of the Company in line with the principles set out in the Malaysian Code on Corporate Governance, other applicable laws, rules, directives and guidelines.

## 6.2 External Auditors

- (i) Review the appointment or re-appointment and performance of external auditors, the audit fee and any question of resignation or dismissal before making recommendations to the Board;
- (ii) Review the independence and objectivity of the external auditors and their services, including non-audit services and the professional fees, so as to ensure a proper balance between objectivity and value for money;
- (iii) Review with the external auditors before the commencement of each audit, the audit scope and plan, including any changes to the planned scope of the audit plan;
- (iv) Review major audit findings and the management's response during the year with management, external auditors and internal auditors, including the status of previous audit recommendations;
- (v) To discuss any problems and reservations arising from the interim and final audits and any matters the auditors may wish to discuss.
- (vi) The AC shall meet at least twice a year with the external auditors in separate sessions to discuss any matters without the presence of any executive member.

## 6.3 Internal Audit Function

- (i) Review the adequacy of the internal audit scope and plan, functions and resources of the internal audit function and that it has the necessary authority to carry out its work;
- (ii) Review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;

- (iii) Review the adequacy and integrity of internal control systems, including enterprise risk management, management information system, and the internal auditors' and/or external auditors' evaluation of the said systems;
  - (iv) Meet with the Internal Auditors, at least once a year (without the presence of other directors and employees) to discuss any issues or reservations arising from any audits and any matter the Internal Auditors may wish to discuss.
- 6.4 Related Party Transactions
- (i) Review any related party transaction that may arise within the Company or the Group, including any transaction, procedure or course of conduct that raises question on management integrity;
  - (ii) Review and report to the Board any related party transactions entered into by the Power Root Group including the review and monitoring of recurrent related party transactions to ensure that:
    - All transactions are fair, reasonable and undertaken on the Group's normal commercial terms;
    - Internal control procedure with regard to such transactions are sufficient and have been complied with; and
    - Compliance with the relevant provisions of the Bursa Securities Listing requirements
- 6.5 Review the procedures in place to ensure that the Group is in compliance with the Companies Act 2016, Bursa Securities' Listing Requirements and other legislative and reporting requirements;
- 6.6 Direct and where appropriate supervise any special projects or investigation considered necessary, and review investigation reports on any major defalcations, frauds and thefts;
- 6.7 Prepare reports as the circumstances dictate or at least once (1) a year, to the Board summarizing the work performed in fulfilling the AC's primary responsibilities;
- 6.8 Review and assess the adequacy and effectiveness of the Group Risk Management Framework adopted within the Group and to be satisfied that the methodology employed allows identification, assessment, evaluation, monitoring and management of key business risks in a regular and timely manner that will allow the Group to mitigate losses and maximise opportunities;
- 6.9 Oversee the implementation of the Anti-Bribery and Corruption Policy and monitoring its compliances;
- 6.10 Review the allocation of the options pursuant to the Employees' Share Options ("ESOS") in accordance with the *ESOS By-Laws*; and
- 6.11 Any other activities, as authorised by the Board.

## **7.0 SUSTAINABILITY**

To perform the following in relation to sustainability:

- 7.1 Oversee and review the development and implementation of the Company's sustainability vision, strategy, framework, initiatives, policies and practices, and explore ways to incorporate them into the Company's overall operations and business goals;
- 7.2 Regularly review the sustainability framework of the Company which is grounded in the Environmental, Social and Governance (ESG) pillars, to ensure its alignment with evolving local and global sustainability trends and developments, while also confirming its feasibility within the Power Root Group's existing resources and capabilities; and
- 7.3 To assist the Board with regard to the disclosures in the Sustainability Statement to be included in the Company's Annual Report.

## **8.0 REVIEW OF THE AC**

- 8.1 The AC and its individual members shall perform a self-assessment annually to assess its effectiveness in carrying out the duties as set out in the Terms of Reference and report the results to the Board.
- 8.2 The NC shall review the term of office and performance of the AC and each of its members annually to determine whether such the AC Chairman and members have carried out their duties in accordance with their terms of reference.

## **9.0 CONFLICT OF INTEREST ("COI")**

- 9.1 Review and report to the Board for the purposes of disclosure in the AC Report of the Annual Report of any COI situation across Power Root Berhad and its Subsidiaries through direct financial interest, indirect financial interest, non-financial interest (arising from relationships whether family, business or professional interests), or competing loyalties or interests:
  - (i) that arose during the financial year;
  - (ii) that might arise (potential COI) during the financial year;
  - (iii) as well as persisting COI from previous financial years during the financial year;
  - (iv) together with the measures taken to resolve, eliminate or mitigate such conflicts, as well as disclose them in the AC report.

## **10. VARIATION**

The above Terms and Reference may be determined and/or varied by the Company's Board of Directors from time to time. It shall be reviewed at least once every three years or as and when the need arises by the Company's Board of Directors