

JCBNEXT BERHAD
[(Registration No. 200401002875 (641378-W))]

Terms of Reference of Audit and Risk Committee

1. COMPOSITION

The Audit and Risk Committee (“ARC” or “the Committee”) shall be appointed by the Board of Directors (“the Board”) from among their number (pursuant to a resolution/Meeting of the Board) in accordance with the requirements as prescribed or approved by Bursa Malaysia Securities Berhad (“Bursa Securities”) or relevant legislation. In this respect, the Board adopts the definition of “Independent Directors” under the Main Market Listing Requirements (“MMLR”) of Bursa Securities.

- 1.1 The Committee members shall be appointed by and from the Board and shall comprise of not fewer than three (3) members (none of whom shall be Executive) of whom the majority shall be Independent Directors.
- 1.2 The Chairman of the Board shall not be a member of the ARC;
- 1.3 All the members shall be financially literate and at least one (1) member of the ARC:
 - a) must be a member of the Malaysian Institute of Accountants; or
 - b) if he is not a member of the Malaysian Institute of Accountants, he must have at least three years’ working experience and:
 - he must have passed the examinations specified in Part I of the 1st 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 1st Schedule of the Accountants Act 1967.
 - c) must be a person who fulfills such other requirements as prescribed or approved by the Bursa Securities.
- 1.4 The vacancy of the Independent Chairman of the ARC must be filled within three (3) months. No alternate Director of the Board shall be appointed as a member of the Committee. The Chairman of the Committee must be Independent Non-Executive Director elected among the members of the Committee.
- 1.5 A member of the ARC who wishes to retire or resign should provide sufficient written notice to the Board so that a replacement may be appointed before he/she leaves.
- 1.6 If a member of the ARC resigns, dies or for any other reason ceases to be a member with the result of the number of members is reduced to below three (3), the Board shall, within two (2) months, but in any case, not later than three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.
- 1.7 The appointment of the Committee member terminates when the member ceases to be a Director, or as determined by the Board.
- 1.8 The Board must via the Nomination Committee review the term of office and performance of the Committee and each of its members annually to determine

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whether the ARC and its members have carried out their duties in accordance with the terms of reference.

- 1.9 All members of the Committee shall be financially literate and are able to understand matters under the purview of the Committee including the financial reporting process. All members of the Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.
- 1.10 For engagement of a former partner of the external audit firm as member of the Committee, there must be a cooling-off period of at least three (3) years to be observed before being appointed as a member of the Committee.

2. CHAIRMAN

- 2.1 The Chairman of the ARC shall be an Independent Non-Executive Director elected amongst the members of the ARC;
- 2.2 The Chairman together with other members of the ARC ensure that:-
 - the ARC is fully informed about significant matters related to the Group's audit and its financial statements and addresses these matters;
 - the Committee appropriately communicate the insight, views and concerns about relevant transactions and events to internal and external auditors;
 - ARC's concerns on matters that may have an effect on the financial or audit of the Group are communicated to the external auditor; and
 - there is co-ordination between internal and external auditors.
- 2.3 The Chairman of the ARC shall engage on a continuous basis with senior management, such as the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer, the Head of Internal Audit and the External Auditors in order to be kept informed of matters affecting the Group.

3. FUNCTIONS

The ARC has the overall responsibility for overseeing the risk management activities of the Company and its subsidiaries (the "Group"), approving appropriate risk management procedures and measurement methodologies across the organisation. Its primary functions are as follows:

External Auditors

- (i) To review the appointment/re-appointment and performance of external auditors, the audit fee, any question of resignation or dismissal, any letter of resignation from the external auditors and whether there is reason (supported by grounds) to believe that the external auditors are not suitable for re-appointment before making recommendations to the Board and recommend the nomination of a person or persons as external auditors and in making the determination of the appointment / re-appointment of the external auditors, to consider among others¹:

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- (a) the adequacy of the experience, competence, audit quality and resources capacity of the accounting firm;
- (b) the persons assigned to the audit;
- (c) the accounting firm's audit engagements;
- (d) the size and complexity of the listed issuer's group being audited; and
- (e) the number and experience of supervisory and professional staff assigned to the particular audit.

to also consider the objectivity and the independence of the external auditors, *inter-alia*:-

- the external auditor's ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;
- the nature of the non-audit services provided by the external auditors and fees paid for such services relative to the audit fee;
- the information presented in the Annual Transparency Report² of the audit firm. If the audit firm is not required to issue an Annual Transparency Report, the ARC is encouraged to engage the audit firm on matters typically covered in Annual Transparency Report including the audit firm's governance and leadership structure as well as measures undertaken by the audit firm to uphold audit quality and manage risks;
- whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non-audit services or tenure of the external auditors; and
- 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.

Notes:

¹ To the extent permissible pursuant to the applicable rules, laws and regulations of each jurisdiction in which the Group operates and the framework adopted by the Group for appointment of statutory auditors for statutory audit and non-audit services.

² Annual Transparency Report is issued by audit firms registered with the Audit Oversight Board (AOB) where (i) the audit firms have more than 50 public interest entity (PIE) audit clients; and (ii) total market capitalisation of the audit firm's PIE clients above RM10 billion at the end of the calendar year for two (2) consecutive years.

- (ii) To review the adequacy of existing external audit arrangements, with particulars emphasis on the scope and quality of the audit.
- (iii) To review the external auditors' audit report.

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- (iv) To review any management letter sent by the external auditors to the Company and the management's response to such letter.
- (v) To review the assistance given by the Company's officers to the external auditors.
- (vi) To discuss problems and reservations arising from the interim and final audits, and any matter the external and internal auditor may wish to discuss (in the absence of management where necessary).
- (vii) To discuss the contracts and nature for the provision of non-audit services which can be entered into by the Group with the external auditors or its affiliates and procedures that must be followed by the external auditors. The contracts cannot be entered into should include:-
 - Management consulting;
 - Strategic decision;
 - Tax services;
 - Internal audit; and
 - Policy and standard operating procedures documentation.
- (viii) In the event that the non-audit fees paid to the Company's external auditors, or a firm or corporation or affiliated to the external auditor's firm are significant (e.g. constitute 50% of the total amount of audit fees paid to the Company's external auditors), the Company is required to state the details on the nature of the non-audit services rendered in the Company's Annual Report.

Internal Audit

- (i) To ensure that the internal audit function is independent of the activities work it audits and the internal auditors shall report directly to the ARC. The head of internal audit should have the relevant qualification and be responsible for providing assurance to the ARC that the internal controls are operating effectively. The head of internal audit shall be responsible for the regular review and/or appraisal of the effectiveness of the risk management, internal control and governance processes within the Company.
- (ii) To take cognisance of resignations of internal audit staff members (for in-house internal audit function) or the internal audit service provider (for out-sourced internal audit function) and provide the resigning staff member or the internal audit service provider an opportunity to submit his reasons for resigning.
- (iii) To review the internal audit, plan, processes, results of the internal audit assessments, investigation undertaken and whether or not appropriate action is taken on the recommendations.
- (iv) To review the adequacy of the internal audit scope and plan, including the internal audit programme, internal audit reporting and communication flow; functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work or whether concerns, if any, identified by internal audit in its report were addressed during the financial year.

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- (v) To conduct an annual review and periodic testing of the Company's internal control and risk management framework.
- (vi) To ensure management's compliance with the MMLR of Bursa Securities and all relevant legislations, guidelines and regulations issued by regulatory authorities.
- (vii) To review proposals and plans to meet compliance.
- (viii) To review management's action plans to effect any proposals to meet and maintain required standards and guidelines.
- (ix) To prepare reports, if the circumstances arise or at least once (1) a year, to the Board summarising the work performed in fulfilling the ARC's responsibilities, functions and duties for the financial year.
- (x) To review all areas of significant financial risk and the arrangements in place to contain those risks to acceptable levels.
- (xi) To review the adequacy and effectiveness of the Group's risk management activities and internal control procedures as well as any internal control issues identified by the external and internal auditors.
- (xii) To ensure the implementation of the objectives outlined in the Enterprise Risk Management Framework and compliance with them.
- (xiii) To evaluate the process of the Group has in place for assessing and continuously improving risk management, internal controls and systems, particularly those related to areas of significant business risk.
- (xiv) To review risk management reports particularly the significant risk observations and risk response and ensure that appropriate action plan is in place to mitigate the risk.
- (xv) To report to the Board any significant risk observations that warrants the Board's attention.
- (xvi) To provide routine quarterly reporting and update the Board on key risk management issues as well as ad hoc reporting and evaluation on investment proposals.
- (xvii) To work with the Chief Financial Officer and Group Internal Audit Department in the preparation of the Statement on Risk Management and Internal Control for inclusion in the Company's Annual Report and to recommend the same for the approvals of the Board.
- (xviii) All other matters delegated by the Board.

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Related Party Transactions

- (i) To review all related-party transactions and potential conflict of interests situations that may arise within the Company including any transaction, procedure or course of conduct that raises questions on management integrity and the framework to be established; and
- (ii) Ensure that the Group has adequate procedures and processes in place to monitor and track related party transactions and to review these processes.

Whistleblowing and Fraud

- (i) Ensure that proper investigations are carried out, on a timely basis, for substantiated cases reported by any whistleblower to the members of the ARC and report the results and conclusion of such investigations, with the appropriate cause of action shall be recommended to the Board for approval, in accordance with the Group's Whistle-blowing Policy; and
- (ii) Review the Group's policies and procedures for detecting fraud.

Financial Reporting

- (i) To review the quarterly results and financial statements of the Company with both the external auditors, if applicable, and management, prior to the approval by the Board, focusing particularly on:-
 - (a) Any changes in or implementing of major accounting policies and practices;
 - (b) Significant matters highlighted including financial reporting issues; significant judgments made by management; significant and unusual events or transactions, and how these matters are addressed;
 - (c) The going concern assumption; and
 - (d) Compliance with accounting standards and other legal requirements.
- (ii) Monitor the integrity of the financial statements of the Group:-
 - (a) Assess whether the financial reports represent a true and fair view of the Group's performance and ensure compliance with the regulatory requirements;
 - (b) To ensure the competency of the accounting staff and adequacy of the resources and infrastructure of the finance function; and
 - (c) To propose best practices on disclosure in the financial statements and the annual reports of the Group, to be in line with the recommendations set out in the Malaysian Code on Corporate Governance and other applicable rules and regulations.

Other matters

- (i) Verify the allocations of shares and/or options pursuant to the share issuance scheme for employees to ensure in compliance with the criteria for allocation of

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shares and/or options under the share issuance scheme, at the end of each financial year;

- (ii) To report promptly any matters resulting in the breach of MMLR to the Board. Where the ARC is of the opinion that such matter reported by it to the Board has not been satisfactorily resolved, the ARC shall promptly report such matter to Bursa Securities;
- (iii) To consider other areas as defined by the Board or as may be prescribed by Bursa Securities or any other relevant authority from time to time; and
- (iv) Carry out any other function that may be mutually agreed upon by the ARC and the Board.

4. RIGHTS OF COMMITTEE

The Committee shall:

- (i) Have explicit authority to investigate any matters within its terms of reference;
- (ii) Have the resources which it needs to perform its duties;
- (iii) Have full and unrestricted access to any employee and information, documents and resources which it requires in the course of performing its duties;
- (iv) Have unrestricted access to the Chief Executive Officer and any other senior management staff of the Group;
- (v) Have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- (vi) Be able to obtain independent professional or other advice in the performance of its duties at the cost of the Company;
- (vii) Be able to invite outsiders with relevant experience to attend its meetings if necessary;
- (viii) be able to make relevant reports when necessary to the relevant authorities if any breach of the rules, regulations and/or MMLR of Bursa Securities has occurred and has not been satisfactorily resolved; and
- (ix) Be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other Board and employees of the Company, whenever deemed necessary.

5. QUORUM AND MEETING PROCEDURES

The ARC shall meet at least four (4) times on a quarterly basis in each financial year and such additional meetings, as the Chairman shall decide in order to fulfil its duties. Upon

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the request of the external auditors or internal auditors (if any), the Chairman of the ARC shall convene a meeting of the Committee to consider any matters that the auditors believe should be brought to the attention of the Directors or shareholders.

The Company Secretary or other appropriate senior official shall act as Secretary of the ARC and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it within a reasonable period prior to the meeting, supported by explanatory documentation to committee members prior to each meeting and taking attendance for the ARC meeting.

The notice of the ARC meeting should be given in writing at least seven (7) days prior to the meeting and a well-prepared agenda paper for the ARC meeting shall be sent to all members of the ARC and any other persons who may be required to attend the meeting at least five (5) business days prior to the meeting or such other period as deemed appropriate by the Committee.

The Secretary shall also be responsible for keeping the minutes of ARC and circulating them to committee members and to the other members of the Board.

In order to form a quorum for the meeting, the majority of members present must be independent directors and no business shall be transacted at any meeting of the Committee unless a quorum is present. In the event the elected Chairman is not able to attend a meeting of the ARC, a member of the ARC shall be nominated as Chairman for the meeting. The nominated Chairman shall be an Independent Director.

The Chief Financial Officer, the Head of Internal Audit and a representative of the external auditors shall normally attend meetings. Other board members may attend the ARC Meeting upon the invitation of the ARC. However, at least twice (2) a year the ARC shall meet with the external auditors without executive board members, Management and employees present.

A member of ARC shall excuse himself/herself from the meeting during discussion or deliberations of any matter which gives rise to an actual or perceived conflict of interest situation for the member. Where this cause insufficient directors to make up a quorum, the ARC has the right to appoint another director(s) which meets the membership criteria.

The Company must ensure that other directors and employees attend any particular ARC meeting only at the ARC's invitation, specific to the relevant meeting.

The ARC may conduct its meeting to include participation threat by any number or invitee via video or teleconferencing or any other means of and or audio-visual communication and the person shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly.

The Company Secretary or his/her representative or other appropriate senior officer shall also be in attendance at each ARC meetings and responsible for keeping the minutes of meetings of the ARC and circulating them to committee members and to the other members of the Board.

The Chairman of the Committee shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities as well as on any other matter

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that should be brought to the Board's attention and provide recommendations of the Committee that require the Board's approval at the Board meeting.

The Chairman of ARC should attend the Annual General Meeting to answer Shareholders' questions on ARC's activities, roles and responsibilities.

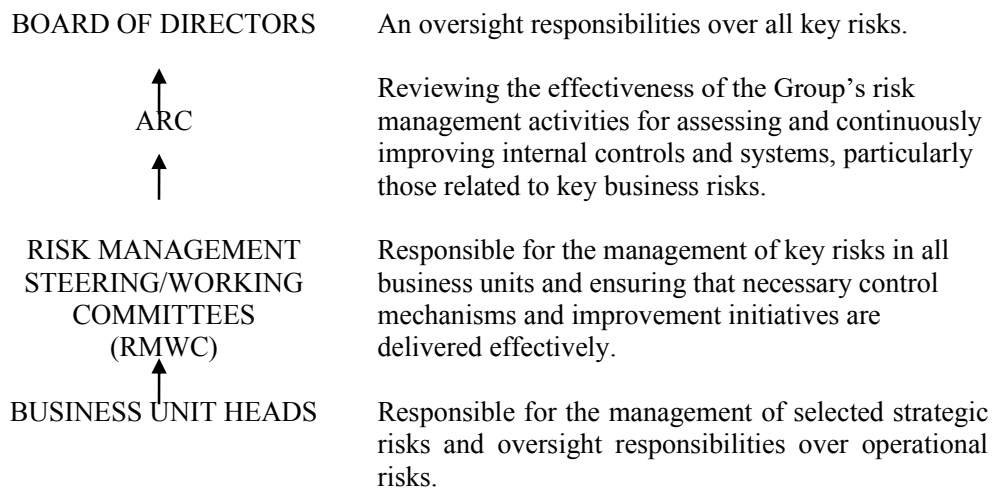
The ARC may deal with matters by way of circular reports and resolutions in lieu of convening a formal meeting. A resolution in writing, signed, approved or assented by letter, electronic mail, telegram, telex or telefax or other electronic communication by all the members of the Committee, shall be as effectual as if it has been passed at a meeting of the Committee duly convened and held. Any such resolution may consist of several documents in like form, each signed by one (1) or more committee members as may be transmitted to the Company by any technology purporting to include a signature and/or electronic or digital signature of the members of the Committee.

6. ENTERPRISE RISK MANAGEMENT FRAMEWORK

The Enterprise Risk Management Framework is adopted for the Group to have a common strategic and formal approach to risk management so as to improve decision making, enhance outcomes and accountability.

7. RISK MANAGEMENT REPORT

Structure and Roles



8. REPORTING PROCEDURES

The ARC shall assist the Board in preparing the ARC report at the end of each financial year for inclusion in the Annual Report of the Company. The ARC Report shall include the following information:-

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- (a) A summary of the work of the ARC in the discharge of its functions and duties for the financial year and how it has met its responsibilities;
- (b) Composition of the ARC, including the name, designation (indicating the Chairman) and directorship of the members (including whether the Directors are independent or otherwise);
- (c) Number of ARC meetings held during the financial year and details of attendance of each ARC members; and
- (d) Summary of the work of the internal audit function.

The ARC shall also assist the Board in making the following additional statements in the Company's Annual Report:-

- (a) Statement on the Board's responsibility for preparing the annual audited financial statements; and
- (b) Statement about the state of risk management and internal control of the Group.

On the risk management reporting process, the various RMWCs will perform a quarterly risk management process and thereafter will present the risk management report to the ARC quarterly or whenever deemed necessary. The ARC will then present the risk management report to the Board on a quarterly basis.

9. WRITTEN TERMS OF REFERENCE

The ARC must have its written terms of reference which deal with its authority and duties, and such information must be made available on the Company's website.

10. PERIODIC REVIEW

This Terms of Reference shall be reviewed whenever necessary by the Committee.

Any revision or amendment to this Terms of Reference, as proposed by the Committee or any third party, shall first be presented to the Board for its approval. Upon the Board's approval, the said revision or amendment shall form part of this Terms of Reference and this Terms of Reference shall be considered duly revised or amended.

This Terms of Reference is reviewed and approved by the Board of Directors via Directors' Circular Resolution dated 26 April 2022.