

**Audit and Risk Management Committee Charter**

**1. Function of the Audit and Risk Management Committee**

- 1.1** The Audit and Risk Management Committee ("Committee") of Westports Holdings Berhad ("Company") will assist the Board of Directors ("Board") in fulfilling the Board's responsibilities with respect to its oversight responsibilities. The Committee will review and monitor the integrity of the Company's and its subsidiaries' ("Group") financial reporting process, its management of risk and internal control system, its audit process as well as compliance with legal and regulatory matters, its own code of business conduct and such other matters that may be specifically delegated to the Committee by the Board from time to time.
- 1.2** Although the Committee is delegated the powers and responsibilities as set out in this Charter by the Board pursuant to the Constitution of the Company, it is not the responsibility of the Committee to plan or conduct audits on the Group's financial statements. This responsibility remains with management who is to ensure that the Group's financial statements are complete and accurate, and are in compliance with generally accepted accounting principles. The Group's external auditor is responsible for conducting audit(s) in accordance with generally accepted auditing standards on consolidated and other statutory financial statements. The Group's internal auditors should carry out their functions according to the standards set by recognised professional bodies and the head of the internal audit function should report directly to the Committee.
- 1.3** The Committee is authorised to conduct investigations, to resolve disputes between Management and the external auditor, if any, and to require Management to disclose all information as the Committee deems appropriate.

**2. Composition**

***Requirements***

- 2.1** The Committee shall be appointed by the Board from among its members and shall comprise of at least 3 directors, whom shall be independent directors as defined in the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"). All members of the Committee must be non-executive directors.
- 2.2** The Board shall appoint the Chairman of the Committee who shall be an independent non-executive director and not Chairman of the Board.
- 2.3** Each member of the Committee should be financially literate and must be able to read, analyse, interpret and understand financial statements, including the Group's balance sheet, income statement, and cash flow statement in order to effectively discharge their functions.
- 2.4** At least 1 member of the Committee must meet the following required qualifications:-
- 2.4.1 be a member of the Malaysian Institute of Accountants; or
  - 2.4.2 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 1<sup>st</sup> 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 1<sup>st</sup> Schedule of the Accountants Act, 1967; or
  - 2.4.3 fulfils such other requirements as prescribed or approved by Bursa Securities, where applicable.

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In determining the required qualification, the Board will also observe any other relevant requirements that may be announced by Bursa Securities as a directive from time to time, where applicable.

***Appointment***

- 2.5** The Board on the recommendation of the Nomination, Remuneration and Corporate Governance Committee shall appoint the members of the Committee.
- 2.6** Alternate directors shall not be appointed as members of the Committee.
- 2.7** For the engagement of a former key audit partner as member of the Committee, there is to be a cooling-off period of at least 2 years before he is able to be appointed as member of the Committee.
- 2.8** The term of office and performance of the Committee and each of its members shall be reviewed by the Nomination, Remuneration and Corporate Governance Committee annually.
- 2.9** Any vacancy due to retirement or resignation of a Committee member, or for any other reason which results in a change of the composition of the Committee that does not comply with the composition of the Committee as required herein, must be filled within 3 months of that event.

**3.0 Authority of the Committee**

- 3.1** The Committee is duly authorised by the Board to:
  - 3.1.1** investigate any activities within its charter;
  - 3.1.2** seek any information that it requires from any employee of the Group and to be provided with full and unrestricted access to such information;
  - 3.1.3** maintain direct communication channels with the external and internal auditors;
  - 3.1.4** obtain external legal or independent professional advice or invite outsiders with relevant experience to attend the Committee meetings and to advise the Committee, if the Committee deems it appropriate to carry out its functions under this Charter;
  - 3.1.5** have access to the Group's resources, at the Group's expense, to perform the Committee's duties;
  - 3.1.6** convene meetings with the internal and external auditors (excluding the attendance of other directors and management), if necessary; and
  - 3.1.7** recommend steps or proposed courses of action, where required, to the Board on matters arising from the discharge of the Committee's duties and responsibilities.

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**Responsibilities of the Committee**

The Committee shall:

***Financial Reporting and Compliance***

**4.1** Review Financial Statements:

**4.1.1** Monitor and review with appropriate officers of the Group and the external auditors, the annual, interim and any other related formal financial statements and announcements of the Group prior to approval of the Board and public release thereof, focusing on:

- a)** the quality and integrity of the financial statements, including but not limited to the clarity and completeness of the financial disclosures therein;
- b)** significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions and how these matters are addressed;
- c)** the extent to which financial statements are affected by any unusual transactions;
- d)** changes in accounting policies and practices, and implementation of such changes;
- e)** compliance with applicable approved accounting standards and regulatory requirements;
- f)** significant adjustments resulting from the audit;
- g)** major judgmental areas;
- h)** the going concern assumptions; and
- i)** the Board's statement on internal control systems, where applicable and the policies and procedures for identifying and assessing business risks and the management of those risks by the Group.

**4.1.2** Discuss among the Committee members, without the presence of the Management or the external auditors if deemed necessary, the financial information obtained.

**4.1.3** Discuss the impact of any proposed changes in accounting principles on future financial statements.

**4.2** Review Other Accounting, Audit and Financial Matters: Review such other matters in relation to the accounting, auditing and financial reporting practices and procedures of the Group as the Committee may, at its own discretion, deem desirable in connection with the review functions described above.

**4.3** Review Related Party Transactions: Review material related party transaction and conflict of interest situations that may arise within the Group including transaction, procedure or cause of conduct that raises question of management integrity and recurrent related party transactions, entered into by the Group to ensure:

4.3.1 that the transactions have been conducted on the Group's normal commercial terms at an arm's length basis, on terms which are not more favourable to the related party than those generally available to the public;

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- 4.3.2 that the internal control procedures relating to such transactions are sufficient and have been complied with; and
- 4.3.3 compliance with the Listing Requirements and Practice Notes of Bursa Securities that are in force from time to time.

**4.4** Review Other Matters:

- 4.4.1 to review compliance with relevant laws and regulations, generally and reporting matters that are not satisfactorily resolved, that results in a breach of requirements;
- 4.4.2 to execute the request by the Board to conduct investigations into any issue pertaining to the management of the Company;
- 4.4.3 to review the Company's code of ethics and monitor the compliance thereof;
- 4.4.4 to review sensitive payments, if any, made by the Company;
- 4.4.5 to implement other necessary duties as mutually agreed by the Committee and the Board or any other authorities which is empowered by law or regulated by any government authority; and
- 4.4.6 to review and update the terms of reference of the Committee from time to time.

***Risk Management and Internal Control***

- 4.5** Review Systems of Risk Management: Review with members of Senior Management of the Group, the external auditors and, where necessary, any other relevant persons, the adequacy and effectiveness of the risk management process to identify key organisational risks and the systems or processes in place to monitor and manage these risks.
- 4.6** Review Systems of Internal Controls: Review with members of Senior Management of the Group, the external auditors, and, where necessary, any other relevant persons, the effectiveness, adequacy and integrity of the Group's internal controls including information technology security and control, the Group's financial, auditing and accounting organisations and personnel and the Group's policies and compliance procedures with respect to business practices and to assist management in setting up the appropriate procedures and internal controls.
- 4.7** Review Systems and/or Processes to manage fraud: Review with members of Senior Management of the Group, the external auditors and, where necessary any other relevant persons, the procedures in place by management to prevent and detect fraud including cyber fraud.
- 4.8** Review Statement on Risk Management and Internal Control: Review with the external auditors, the Group's Statement on Risk Management and Internal Control for inclusion in the Annual Report, where applicable.
- 4.9** Communicating and monitoring of risk assessment results to the Board.

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***Internal Audit***

- 4.10** Review of the Internal Audit Function: Review the internal audit department to ensure its activities are performed independently and with impartiality, proficiency and due professional care. The Committee should recommend to the Board the appointment of key personnel of the Group's internal audit function, the authority and the areas of responsibility of the internal audit function. The Committee should also review any appraisal, determine or access the remit of the internal audit function, as well as evaluating the competencies and capabilities of the Group internal audit's personnel in performing their duties taking into account the qualification and experience of the auditor, level of independence with the auditee, and the ability to freely communicate between the head internal auditor and senior management.
- 4.11** Review Internal Audit Plans: Review, evaluate and approve the plans for and adequacy of the scope of their audit activities/programmes including the adequacy of competency and resources to carry out its function and to monitor the implementation of the internal audit activities/programmes to ensure sufficient scope is covered during the audit.
- 4.12** Review Internal Audit Reports: Review with members of Senior Management of the Group, any periodic reports of the audit activities, key findings and recommendations including its investigations as well as the recommended course of actions to be taken by the Management, Management's response to the recommendations and ensure that appropriate action is taken on their recommendations. This would include the extent of assistance and cooperation given by the Group's Management to support the activities of the internal audit function, as well as endorsing the disciplinary action to be taken against any employee involved in any misconduct as reported by the internal audit.
- 4.13** Review Internal Audit Function: Monitor effectiveness and review the performance of members of the internal audit function and provide appraisals of their performance including compliance with the Institute of Internal Auditors' Standards for the Professional Practice of Internal Auditing, to management and, where appropriate, the Board.
- 4.14** Approve the appointment or termination of key personnel or senior Internal Audit members: Recommend to the Board to approve the appointment or termination of key personnel of the Group internal audit function and take cognisance of resignations of senior members as well as to provide the resigning staff an opportunity to submit his/her reason for resigning.

***External Audit***

- 4.15** Nomination, Resignation and Dismissal of External Auditors: Recommend to the Board annually and at other appropriate times, and through the Chairman, to the shareholders for approval at the annual general meeting, the firm to be retained or re-appointed as the Group's external auditors, the terms of engagement and remuneration to be paid to the external auditors in respect of the audit services provided. This would include an annual review of the effectiveness and competence of the external auditor, the qualifications, expertise and the adequacy of staffing/resources provided by the external auditor. In considering the appointment/re-appointment of the external auditors, the Committee is to consider among others:-
- a) the adequacy of the experience and resources of the accounting firm;
  - b) the persons assigned to the audit;
  - c) the accounting firm's audit engagements;

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- 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.

The Committee will review and report to the Board and subsequently to the shareholders, any proposed resignation (including letter of resignation from the external auditors) or dismissal of the external auditors and whether there is reason (supported by grounds) to believe that the external auditor is not suitable for reappointment together with the Committee's recommendation, including the payment of external auditors fees, termination of service of the external auditor and enquiring into staffing and competence of the external auditor in performing their work. Where the external auditor is removed from office or has issued a notice of their intention to do so, the Committee shall concurrently forward to Bursa Securities and the Registrar of Companies, a copy of any written representations or written explanations of the resignation made by the external auditors.

**4.16** Review suitability and Independence of External Auditors: Review the information provided by management and the external auditors relating to the independence of such firm, including, among other things :

**4.16.1** external audit firm's compliance with Malaysian regulations and ethical guidance relating to rotation of audit partner<sup>1</sup>, the level of fees that the Group pays in proportion to the overall fee income of the firm, office and partner and other related regulatory requirements;

**4.16.2** assurance that representatives of the external audit firm have no family, financial, employment, investment or any other business relationship with the Group, other than that in the normal course of business;

**4.16.3** the employment of former employees of the external audit firm in key management positions within the Group; and/or

**4.16.4** the nature of the non-audit services provided by the external auditors and fees paid for such services related to the audit fee and 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 auditor.

The Committee is responsible for (1) ensuring that the external auditor submits on a periodic basis to the Committee a formal written statement delineating all relationships between the auditor and the Group, consistent with Independence Standards Board Standard No. 1 as attached in Appendix 1, modified as appropriate based on Malaysian guidelines for auditors independence; (2) actively engaging in dialogue with the external auditor with respect to any disclosed relationship or services that may impact the objectivity and independence of the external auditor; and (3) taking, or recommending that the Board take, appropriate action, to oversee the independence of the external auditor.

**4.17** The Committee shall ensure that the provision of non-audit services by the external auditor comply with the policy on the provision of non-audit services by the external auditor to ensure that the objectivity and independence of the audit firm are not impaired. The policy provides guidance, but not limited to, the following:

4.17.1 The scope of the non-audit services, e.g.:

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<sup>1</sup> In May 2004, the Malaysian Institute of Accountants had issued a new By-Law B-1 (Professional Independence) which will require the rotation of audit partners performing statutory audits of listed and public interest entities every 5 years. The amendment will take effect from 1 July 2004 for engagements for which the financial period commences on or after this date.

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- The external auditor audits its own firm's work
- The external auditor is put in a role of an advocate for the Group
- The external auditor makes management decisions for the Group
- A mutuality of interest is created
- Any other ethical considerations deemed relevant

4.17.2 In the event that the non-audit fees paid to the Company's External Auditors, or a firm or corporation affiliated to the External Auditors' 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 non-audit services rendered in the Committee Report.

- 4.18** Review External Audit Plans: Review, in consultation with the external auditors their plans for, and the scope and cost effectiveness of their annual audit and other examinations, prior to the commencement of such activities. This should include the evaluation of the financial and audit reports, systems of internal accounting controls and risk management processes, to the extent performed as part of the external audit.
- 4.19** Conduct of External Audits: Review the assistance given by the Group and the Group's employees to the external auditors and ensure co-ordination where more than one (1) audit firm is involved and between the external and internal auditors.
- 4.20** Review the External Auditors' representations on their Quality Control Procedures and steps taken by the auditor to respond to changes in regulatory and other requisite requirements.
- 4.21** Review External Audit Results: Review with the external auditors, their findings and the report of their annual audit, or proposed report of their annual audit, the accompanying management letter and response, the report of their reviews of the Group's interim financials, and the problems and reservations arising, including significant audit adjustments, if any. The scope here will also include the reports on the results of such other examinations outside the course of the external auditors' normal audit procedures that the external auditors may from time to time undertake.
- 4.22** Review Recommendations of External Audit: Review with the members of senior management of the Group, recommendations made by the external auditors and such other matters including recommending the appropriate course of action to be taken by the management and monitoring the implementation of the course of action, as such persons or other officers of the Group may desire to bring to the attention of the Committee.

***Whistleblowing***

- 4.23** Review the procedures that the Group has implemented to address allegations made by whistleblowers, to ensure that there is proportionate and independent investigation of such allegations and that appropriate follow-up action is taken and brought to the attention of the Committee, where necessary.

***Coordination***

- 4.24** Ensure appropriate coordination between the audit plans of the Company's external auditors and the scope of the Group's internal audit programme.

***Remediation Plan***

- 4.25** Review the management's remediation plans on the inadequacies highlighted in the internal and external audit reports.

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**5. Meetings of the Committee**

- 5.1** The Chairman of the Committee will, in consultation with the other members of the Committee, the Group's external and internal auditors and the appropriate officers of the Group, be responsible for calling meetings of the Committee, establishing the agenda therefor and supervising the conduct thereof.
- 5.2** The Chairman of the Committee or Secretary of the Committee on the requisition of the members, shall at any time summon a meeting of the Committee by giving 3 days' advance notice or if the consent of all the members are obtained, by shorter notice.
- 5.3** The Committee shall meet at least 4 times during each financial year, or more frequently as it may determine necessary, to comply with its responsibilities as set forth herein. In order to form a quorum for a meeting of the Committee at least 2 members must be present and the majority of the members present must be independent directors. In the absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst the members present.
- 5.4** Only the Chairman and the members are to be present at a meeting of the Committee. The Committee may, at its discretion, request Board members, any officer or employee of the Group or the Group's external legal counsel or external or internal auditors to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.
- 5.5** The Committee may meet with management (including the Group Managing Director and Chief Financial Officer), the external or internal auditors and others in separate private sessions to discuss any matter that the Committee, management, the external auditors or such other persons deem should be discussed privately. Such meetings should offer free and open communications among the Committee, management and external auditors.
- 5.6** The Committee shall meet with the external and internal auditors at least twice in each financial year without the presence of any executive Board members, management or employees.
- 5.7** The external or internal auditors may request a meeting of the Committee if they consider that one is necessary to consider any matter the external or internal auditors wish to bring to the attention of the Board or shareholders of the Group.
- 5.8** The Committee may regulate its own procedures, in particular on the conduct of the Committee meetings, including attendance at a meeting by being present in person or by participating in the meeting by means of video or teleconference. The Committee should record its deliberations in terms of the issues discussed and the conclusions in discharging its duties and responsibilities, with the minutes kept and distributed to each member of the Committee and of the Board.
- 5.9** A resolution in writing signed by all members in lieu of convening a formal meeting shall be as valid and effectual as if it had 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 or more members.
- 5.10** The Chairman of the Committee should engage on a continuous basis with senior management such as the Chairman of the Board, Group Managing Director, Chief Financial Officer, Head of Finance and the external and internal auditors in order to be kept informed of matters affecting the Group.
- 5.11** The Secretary of the Company or a management representative shall be the Secretary of the Committee. The Secretary of the Committee shall circulate the minutes of the Committee meetings to all members of the Committee and the



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Board. The Secretary of the Committee shall ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.

**6. Consultants**

**6.1** The Committee may retain at the Group's expense, at such times and on such terms as the Committee determines at its sole discretion, special legal, accounting or other consultants to advise and assist it in discharging its responsibilities as set forth herein.

**7. Reporting**

**7.1** The Chairman of the Committee shall report its activities to the Board at each financial quarter meeting and where appropriate in any other manner and time, as it deems necessary.

**7.2** The Committee shall prepare where applicable, with the assistance of management, the external auditors and external legal counsel (if necessary), a formal report for inclusion in the annual report that must disclose the following:

7.2.1 the Committee's composition, including the name, designation (indicating the chairman) and directorship of the members (indicating whether the directors are independent or otherwise);

7.2.2 the number of Committee meetings held during the financial year and the details of attendance of each Committee member and the details of relevant training attended by each Committee member;

7.2.3 a summary of the work of the Committee in discharging its functions and duties for that financial year of the Company and how it has met its responsibilities;

7.2.4 the existence of an internal audit function and a summary of its work;

7.2.5 the steps taken to ensure the internal and the external auditor's independence; and

7.2.6 the amount of audit fees and the amount of non-audit fees incurred by the Company and on a group basis respectively, as well as the details on the nature of the services rendered by auditors and its affiliates if the non-audit fees incurred were significant.

**7.3** The Chairman of the Committee should attend the annual general meeting to address queries relating to the Committee's activities and matters within the scope of the Committee's responsibilities.

**7.4** When the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Securities, the Committee must promptly report such matter to Bursa Securities, where applicable.

**8. Annual Review of Charter**

**8.1** The Committee shall review and reassess, with the assistance of management, the external auditors and external legal counsel (if necessary), the adequacy of the Committee's charter in light of new best practices and new legal or regulatory requirements, at least annually and recommend the proposed changes to the Board. The Charter must be made available on the Company's website.

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**9. Annual Self-Assessment Review**

**9.1** The Committee shall conduct a self-assessment to monitor their overall effectiveness in meeting their responsibilities and report the results to the Board at least annually. In particular, the Nomination, Remuneration and Corporate Governance Committee, shall review the term of office and performance of the Committee and each of its members annually to determine whether the Committee has carried out their duties in accordance with this Charter. All such evaluations or assessments should be properly documented.

**10. Training**

**10.1** The Committee shall be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members to aid its members in the discharge of their duties.

**11. Rights and Powers of the Committee**

**11.1** In general and unless otherwise expressly authorised by the Board, the Committee shall not have delegated powers from the Board to implement its recommendations but is obliged to report its recommendations to the Board for consideration and implementation.

This Policy is approved by the Board on 26 February 2019.

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**Independence Standards Board Standard No. 1:  
Independence Discussions with Audit Committees**

Independence Standards Board Standards are maintained by the US American Institute of Certified Public Accountants ("AICPA").

Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees* applies to any auditor intending to be considered an independent accountant with respect to a specific entity within the meaning of the Security Acts ("the Acts") administered by the Securities and Exchange Commission. At least annually, such an auditor shall:

- (a) disclose to the Committee, in writing, all relationships between the auditor and its related entities and the company and its related entities that in the auditor's professional judgement may reasonably be thought to bear on independence;
- (b) confirm in the letter that, in its professional judgement, it is independent of the Company within the meaning of the Acts; and
- (c) discuss the auditor's independence with the Committee.