



**ELRIDGE ENERGY HOLDINGS BERHAD**  
**[Registration No. 202401001446 (1547297-X)]**  
(Incorporated in Malaysia)

**TERMS OF REFERENCE**  
**FOR THE**  
**AUDIT AND RISK MANAGEMENT COMMITTEE**  
(Adopted w.e.f. 1 February 2024)

## 1.0 OBJECTIVES

The principal objectives of the Audit and Risk Management Committee (“**ARMC**”) are to assist the Board of Directors (“**Board**”) in discharging its statutory and fiduciary duties and responsibilities relating to accounting and reporting practices as well as risk management policies and strategies and sustainability initiatives of the Company and its subsidiary(ies) (“**Group**”). In addition, the ARMC shall:-

- (a) evaluate the quality of the audits performed by the internal and external auditors;
- (b) provide assurance that the financial information presented by management is relevant, reliable and timely;
- (c) oversee compliance with laws and regulations and observance of a proper code of conduct;
- (d) determine the quality, adequacy and effectiveness of the Group’s control environment;
- (e) ensure financial statements comply with applicable financial reporting standards; and
- (f) fulfil its corporate governance, risk management and statutory responsibilities in order to manage the overall risk exposure.

## 2.0 COMPOSITION

2.1 The Board shall elect the ARMC members from amongst themselves, comprising no fewer than three (3) members, all of whom shall be Non-Executive Directors and financially literate. The majority of the ARMC members shall be Independent Directors and the Chairman of the Board shall not be a member of the ARMC.

*In this respect, the Board adopts the definition of “Independent Director” as defined under Bursa Malaysia Securities Berhad (“**Bursa Securities**”) ACE Market Listing Requirements (“**the Listing Requirements**”).*

2.2 Collectively, the ARMC should possess a wide range of necessary skills to discharge its duties. All members of the ARMC shall be financially literate, competent and are able to understand the matters under the purview of the ARMC including the financial reporting process. At least one (1) member of the ARMC:-

- (i) Must be a member of the Malaysian Institute of Accountants (“**MIA**”); or
- (ii) if he/ she is not a member of the MIA, he/ she must have at least three (3) years of working experience and
  - he/ she must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or
  - he/ she must be a member of one (1) of the associations of accountants specified in Part II of the First Schedule of the

Accountants Act, 1967; or

(iii) fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

- 2.3 No Alternate Director shall be appointed as a member of the ARMC.
- 2.4 No former partner of the External Audit firm of the Company shall be appointed as a member of the ARMC unless the said former partner has observed a cooling-off period of at least three (3) years before being appointed as a member of the ARMC. The former partner herein refers to all former partners of the audit firm and/or affiliate firm (including those providing advisory services, tax consulting, etc).
- 2.5 All members of the ARMC should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.
- 2.6 The Chairman of the ARMC shall be appointed by the members of the ARMC among their member who is an Independent Director.
- 2.7 If a member of the ARMC or Chairman of the ARMC resigns, dies, or for any reason ceases to be a member or Chairman resulting in non-compliance to the composition criteria as stated in the paragraph 2.1 above, the Board shall, within three (3) months of the event appoint such number of new members as may be required to make up the minimum number of three (3) members.

### **3.0 CHAIRMAN**

The Chairman of the ARMC shall be an Independent Non-Executive Director appointed by the Board from amongst the ARMC members and who shall not be the Chairman of the Board. The ARMC Chairman shall chair all ARMC meetings but in the absence of the Chairman, the members of the ARMC can elect from amongst themselves as the Chairman of the meeting.

The Chairman of the ARMC is responsible for ensuring the overall effectiveness and independence of the ARMC.

The Chairman of the ARMC together with other members of the ARMC should ensure amongst others that:-

- the ARMC is fully informed about significant matters related to the Group's audit and its financial statements and address these matters;
- the ARMC appropriately communicates its insights, views and concerns about relevant transactions and events to internal and external auditors;
- the ARMC's concerns on matters that may have an effect on the financial or audit of the Group are communicated to the external auditors; and
- there is co-ordination between internal and external auditors.

#### **4.0 SECRETARY(IES)**

The Company Secretary or such other person(s) authorised by the Board of Directors shall act as the Secretary to the ARMC.

The Secretary shall be responsible for drawing up the agenda and circulating it prior to each meeting and keeping the minutes of meetings of the ARMC.

#### **5.0 TERMS OF OFFICE**

The Nomination Committee of the Company shall review the term of office and performance of the ARMC and each of its members annually to determine whether such ARMC and members have carried out their duties in accordance with the ARMC's terms of reference.

#### **6.0 MEETINGS**

- 6.1 Meetings shall be held not less than four (4) times in a year or more frequently as deemed necessary. In addition, the Chairman of the ARMC may call a meeting of the ARMC if a request is made by any ARMC members, the Chairman of the Board/Chief Executive Officer or the Internal or External Auditors if they consider it necessary.
- 6.2 The meeting will be attended by the members of the ARMC and the Company Secretary or the representative of the Company Secretary who shall act as the Secretary of the ARMC.
- 6.3 Participants may be invited from time to time to attend the meeting depending on the nature of the subject under review. These participants may include the Directors, General Managers, Division Heads, representatives from the Finance and Internal Audit Departments, and External Auditors. The Finance Director, and a representative of the External Auditors should normally attend meetings.
- 6.4 The quorum of the ARMC meeting shall be two (2) members both of whom shall be Independent Directors.
- 6.5 Reasonable notice of ARMC meetings shall be given in writing sent through the post, facsimile, electronic mail and by any means of telecommunication in permanent written form to all the ARMC members, except in the case of emergency, where ARMC may waive such requirement.
- 6.6 The Chairman of the ARMC should engage on a continuous basis with the senior management, such as the Chairman of the Board, the Chief Executive Officer, the Finance Director, and the External Auditors in order to be kept informed of matters affecting the Company.

- 6.7 The ARMC should meet with the External Auditors without the presence of Executive Board members at least twice a year.
- 6.8 A member of the ARMC may participate in a meeting by means of a telephone conference or video conference or any other means of audio-visual communications 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. All information and documents must be made equally available to all participants prior to or at/during the meeting.
- 6.9 Questions arising at any meeting of the ARMC shall be decided by a majority of votes of the members present, and in the case of equality of votes, the Chairman of the meeting shall have a second or casting vote. However, at meetings where two (2) members are present or when only two (2) members are competent to vote on an issue, the Chairman shall not have a second or casting vote. All conflicting views shall be submitted to the Board for its final decision. Any member who has an interest in any matters being reviewed or considered shall abstain from voting on the matter.
- 6.10 A circular resolution in writing signed by a majority of the members of the ARMC, shall be valid and effectual as if it had been passed at a meeting of the ARMC duly convened. Any such resolution may consist of several documents in like form, each signed by one (1) or more members of the ARMC and shall include signed copies via legible facsimile transmission or other written electronic means.
- 6.11 Upon the request of the External Auditors, the chairman of the ARMC must convene a meeting of the committee to consider any matter the External Auditors believes should be brought to the attention of the directors or shareholders.

## **7.0 AUTHORITY**

- 7.1 The ARMC is authorised by the Board to carry out the duties, functions and responsibilities mentioned below and the Board and the management shall provide assistance that is necessary to enable the ARMC to discharge its duties.
- 7.2 The ARMC shall, whenever necessary and reasonable for the performance of its duties and in accordance with a procedure to be determined by the Board and at the Company's cost:-
- (a) have explicit authority to investigate any matter within its terms of reference, the resources which are required to do so, and full access to information. All employees shall be directed to co-operate as requested by members of the ARMC;
  - (b) have full and unlimited/unrestricted access to any information and documents/resources which are required to perform its duties as well as the internal and external auditors and senior management of the Company;
  - (c) have direct communication channels with the External Auditors and

person(s) carrying out the internal audit function or activity (if any);

- (d) be able to obtain independent professional or other advice and invite outsiders with relevant experience and expertise to attend meetings, if it considers necessary;
- (e) be able to convene meetings with the External Auditors, the Internal Auditors or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary;
- (f) where the ARMC is of the view that the matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the ARMC shall promptly report such matter to Bursa Securities; and
- (g) be entitled to the services of the Company Secretary(ies).

## **8.0 DUTIES, FUNCTIONS AND RESPONSIBILITIES**

The duties, functions and responsibilities of the ARMC shall include the following:

### **8.1 Internal Audit**

- (a) To review and report to the Board the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work.
- (b) To review the internal audit plan, processes, the results of the internal audit assessments, investigation undertaken and ensure that appropriate action is taken by management on the recommendations of the internal auditors.
- (c) To review any appraisal or assessment of the performance of members of the internal audit function.
- (d) To approve any appointment or termination of senior staff members of the internal audit function, if the internal audit function is performed in-house.
- (e) To take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reason for resigning, if the internal audit function is performed in-house.
- (f) To consider and approve the appointment of the internal auditors, the internal audit fee and any question of resignation or dismissal.
- (g) To ensure the person responsible for the internal audit reports directly to the ARMC.
- (h) To consider the internal audit reports and findings by the internal auditors, fraud investigations and actions and steps taken by the management in

response to audit findings.

- (i) To review and decide on the budget allocated to the internal audit function.
- (j) To monitor the overall performance of the Company's internal audit function.

## 8.2 External Audit

- (a) To review with the External Auditors, the audit report, the nature and scope of their audit plan and report the same to the Board.
- (b) To review with the External Auditors, their audit report and evaluation of accounting policies and systems of internal controls and report the same to the Board.
- (c) To review internal audit findings and the management's responses or action plans, including the status of the previous audit recommendations.
- (d) To review the assistance given by employees of the Group to the External Auditors.
- (e) To review and report the same to the Board any letter of resignation from the External Auditors of the Company as well as whether there is any reason (supported by grounds) to believe that the Company's External Auditors are not suitable for re-appointment.
- (f) To make recommendations concerning the appointment of the External Auditors and their remuneration to the Board.
- (g) To establish, review and approve a policy on the non-audit fees paid or payable to the External Auditors, or a firm or corporation affiliated to the External Auditors' firm, including the conditions and procedures which must be adhered to by the external auditors and/or their affiliates in the provision of such services.
- (h) To approve the non-audit services provided by the External Auditors and/or their affiliates.
- (i) To assess the suitability, objectivity and independence of the External Auditors, taking into consideration: -
  - (i) the competence, audit quality and resource capacity of the External Auditors in relation to the audit;
  - (ii) the nature and extent of the non-audit fees rendered and the appropriateness of the level of fees; and
  - (iii) 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 term of all relevant profession and regulatory requirements.

- (j) To discuss issues and reservations arising from the interim and final audits, and any matter the external auditors may wish to discuss (in the absence of management, where necessary).

### 8.3 Audit Reports

The reports of the ARMC and the External and Internal Auditors and corrective action taken shall be tabled for discussion by the Board.

### 8.4 Financial Reporting

To review and recommend the quarterly results and annual financial statements for approval of the Board before announcement to regulatory bodies, focusing particularly on:

- (a) changes in or implementation of major accounting policy and practices;
- (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) going concern assumption; and
- (d) compliance with accounting standards and other regulatory or legal requirements.

### 8.5 Related Party Transaction

To review and monitor any related party transactions and conflict of interest situation that may arise, persist or may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity and the measures taken to resolve, eliminate, or mitigate such conflicts.

### 8.6 Allocation of Options

To review and verify the allocation of Employees' Share Scheme ("ESS") in compliance with the criteria as stipulated in the by-laws of ESS of the Company, if any.

### 8.7 Risk Management

- (a) To review with management the primary elements comprising the Company's risk culture, including establishing "a tone from the top" that reflects the Company's core values and the expectation that employees act with integrity and promptly escalate non-compliance in and outside of the Company; accountability mechanisms designed to ensure that employees at



all levels understand the Company's approach to risk as well as its risk-related goal;

- (b) To review with management the Company's risk appetite and risk tolerance and assess whether the Company's strategy is consistent with the agreed-upon risk appetite and tolerance for the Company;
- (c) To maintain and establish a clear framework to hold management accountable for building and maintaining an effective risk appetite framework and providing the Board with regular, periodic reports on the Company's risk status;
- (d) To review with management the design of the Company's risk management functions, as well as the qualifications and backgrounds of senior risk personnel and the policies applicable to risk management, to assess whether they are appropriate given the Company's size and scope of operations;
- (e) To oversee the conduct and review the results of company-wide risk assessments, including the identification and reporting of critical risks;
- (f) To review with management the categories of risk the Company faces, including any risk concentrations and risk interrelationships, as well as the likelihood of occurrence, the potential impact of those risks, mitigating measures and action plans to be employed if a given risk materialises;
- (g) To review with management the ways in which risk is measured on an aggregate, company-wide basis, the setting of aggregate and individual risk limits (quantitative and qualitative, as appropriate), the policies and procedures in place to hedge against or mitigate risks and the actions to be taken if risk limits are exceeded;
- (h) To review with management the assumptions and analysis underpinning the determination of the Company's principal risks and whether adequate procedures are in place to ensure that new or materially changed risks are properly and promptly identified, understood and accounted for in the actions of the Company;
- (i) To review management's implementation of its risk policies and procedures, to assess whether they are being followed and are effective;
- (j) To provide advice to the Board on risk strategies and coordinate the activities of the various standing Board Committees for risk oversight;
- (k) To review internal systems of formal and informal communication across divisions and control functions to encourage the prompt and coherent flow of risk-related information within and across business units and, as needed, the prompt escalation of information to senior management (and to the Board or Board Committees as appropriate). Review reports from management, Independent Auditors, Internal Auditors, legal counsel, regulators, stock analysts and outside experts as considered appropriate

regarding risks the Company faces and the Company's risk management function, and consider whether, based on each individual Director's experience, knowledge and expertise, the Board or Board Committees primarily tasked with carrying out the Board's risk oversight function is sufficiently equipped to oversee all facets of the Company's risk profile—including specialised areas such as cybersecurity—and determine whether subject-specific risk education is advisable for such Directors;

- (l) To review the Company's internal control and risk management framework, strategic, policies, processes, responsibilities and actions and assess whether any changes to be made;
- (m) To solicit feedback on the adequacy and effectiveness of risk management and internal control from the Executive Director, management, Internal Auditors and External Auditors at least annually; and

#### 8.8 Sustainability

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

#### 8.9 Other Matters

- (a) To ensure the inclusion of corruption risk as one of the risks assessed in the Group's risk register.
- (b) To review the Anti-Bribery & Corruption Policy and Whistleblowing Policy at least once every three (3) years and to make recommendations to the Board thereon.
- (c) To perform the oversight function over the administration of whistleblowing policy that is approved and adopted by the Board and to protect the values of transparency, integrity, impartiality and accountability where the Group conducts its business and affairs.
- (d) To enhance its accountability in preserving its integrity and to withstand public scrutiny which in turn enhances and builds the Group's credibility to all the stakeholders.

- (e) To consider the major findings of internal investigations and the Management's response.
- (f) To consider other topics as defined by the Board.

## **9.0 MINUTES**

The Company Secretary shall maintain minutes of the proceedings of the meetings and kept at the registered office and circulate such minutes to all members of the ARMC and to the Board members.

The minutes of the ARMC meeting shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting and if so signed, shall be conclusive evidence of the proceedings of the meeting duly held.

## **10.0 ARMC REPORT**

The ARMC shall ensure that an ARMC report is prepared at the end of each financial year that complies with subparagraph (10.1) and (10.2) below:

10.1 The ARMC report shall be clearly set out in the annual report of the Company;

10.2 The ARMC report shall include the following:

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

## **11.0 CONTINUOUS PROFESSIONAL DEVELOPMENT**

The ARMC members shall undertake continuous professional development training to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

## **12.0 REVIEW OF THE TERMS OF REFERENCE**

The Committee shall review the Terms of Reference and to make any necessary or desirable amendments as and when the Board deems necessary to ensure they remain consistent with the Board's objective. A copy of this Terms of Reference is available on the Company's website.