



**SNS NETWORK TECHNOLOGY BERHAD**  
[201601002835 (1173761-W)]  
(Incorporated in Malaysia)

# TERMS OF REFERENCE AUDIT AND RISK ASSESSMENT COMMITTEE

UPDATED AS AT 1 OCTOBER 2021

## TERMS OF REFERENCE: AUDIT AND RISK ASSESSMENT COMMITTEE

### 1.0 OBJECTIVES

- 1.1 The primary function of the Audit & Risk Management Committee (“ARMC” or “the Committee”) of SNS Network Technology Berhad (“**SNS**” or “**the Company**”) is to assist the Board in the discharge of its responsibilities in relation to accounting and financial reporting practices of SNS and its subsidiary company(ies) (“SNS Group” or “the Group”).
- 1.2 The ARMC acts on behalf of the Board and shall assist the Board:
- (a) in complying with specified accounting standards and required disclosure as administered by Bursa Securities, relevant accounting standards bodies, and any other laws and regulations as amended from time to time;
  - (b) overseeing a formal and transparent arrangement as well as appraising the quality of the audits conducted both by the Company’s Internal and External Auditors;
  - (c) maintaining open lines of communication between the Board of Directors, the Internal Auditors and the External Auditors for the exchange of views and information, as well as to confirm their respective authority and responsibilities;
  - (d) maintaining a sound system of internal controls covering administrative, operating and accounting and risk management to safeguard shareholders’ investment and the Company’s assets;
  - (e) oversee financial reporting; and
  - (f) investigate any concerns received on possible irregularities within the SNS Group.
- 1.3 The primary function of the Audit & Risk Management Committee (“ARMC” or “the Committee”) of SNS Network Technology Berhad (“**SNS**” or “**the Company**”) is to assist the Board in the discharge of its responsibilities in relation to accounting and financial reporting practices of SNS and its subsidiary company(ies) (“SNS Group” or “the Group”).
- 1.4 The ARMC acts on behalf of the Board and shall assist the Board:
- (g) in complying with specified accounting standards and required disclosure as administered by Bursa Securities, relevant accounting standards bodies, and any other laws and regulations as amended from time to time;

- (h) overseeing a formal and transparent arrangement as well as appraising the quality of the audits conducted both by the Company's Internal and External Auditors;
- (i) maintaining open lines of communication between the Board of Directors, the Internal Auditors and the External Auditors for the exchange of views and information, as well as to confirm their respective authority and responsibilities;
- (j) maintaining a sound system of internal controls covering administrative, operating and accounting and risk management to safeguard shareholders' investment and the Company's assets;
- (k) oversee financial reporting; and
- (l) investigate any concerns received on possible irregularities within the SNS Group.

## **2.0 MEMBERSHIP**

2.1 The Committee shall be appointed by the Board from amongst the Directors of the Company. It shall consist of not fewer than three (3) members and all shall be Independent Non-Executive Directors of whom:-

- a) at least one member of the Audit Committee;
  - (i) must be a member of the Malaysian Institute of Accountants;  
or
  - (ii) if the Director is not a member of MIA, the Director must have at least three (3) years' post-qualification working experience in accounting or finance and
    - the Director must have passed the examinations specified in Part I of the 1<sup>st</sup> Schedule of the Accountants Act 1967; or
    - the Director must be a member of the associations of accountants specified in Part II of the 1<sup>st</sup> Schedule of the Accountants Act 1967; or
    - a degree//masters/doctorate in accounting or finance; or
    - a member of any professional accountancy organisation which has been admitted as a full member of the International Federation of Accountants; or

- (iii) at least 7 years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation; or
  - (iv) fulfils such other requirements as prescribed or approved by Bursa Securities.
- 2.2 The Chairman of the Committee shall be an Independent Non-Executive Director. The Chairman of the ARMC shall not be the Chairman of the Board. In the absence of the Chairman of the Committee, the members present shall elect one of their number who is independent to chair the meeting.
- 2.3 No Alternate Director of the Board shall be appointed as a member of the Committee.
- 2.4 In the event of any vacancy in the Committee which results in the number of members to be reduced to below three (3) and the election of an independent Chairman, the Board shall fill the vacancy within three (3) months of the event.
- 2.5 All members of the ARMC, including the Chairman, will hold office only so long as they serve as Directors of the Company. A former partner of an external audit firm to observe a cooling-off period of at least three (3) years before being appointed as a member of the ARMC.
- 2.6 All members of ARMC should be financially literate and are able to understand matters under the purview of the ARMC including the financial reporting process.
- 2.7 The Committee shall be appointed by the Board from amongst the Directors of the Company. It shall consist of not fewer than three (3) members and all shall be Independent Non-Executive Directors of whom:-
  - b) at least one member of the Audit Committee;
    - (i) must be a member of the Malaysian Institute of Accountants; or
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      - the Director must have passed the examinations specified in Part I of the 1<sup>st</sup> Schedule of the Accountants Act 1967; or
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- a member of any professional accountancy organisation which has been admitted as a full member of the International Federation of Accountants; or
  - (iii) at least 7 years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation; or
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- 2.10 In the event of any vacancy in the Committee which results in the number of members to be reduced to below three (3) and the election of an independent Chairman, the Board shall fill the vacancy within three (3) months of the event.
- 2.11 All members of the ARMC, including the Chairman, will hold office only so long as they serve as Directors of the Company. A former partner of an external audit firm to observe a cooling-off period of at least three (3) years before being appointed as a member of the ARMC.
- 2.12 All members of ARMC should be financially literate and are able to understand matters under the purview of the ARMC including the financial reporting process.

### **3.0 MEETING PROCEDURES**

- 3.1 The Committee is to meet at least four (4) times a year or more frequently as the need arises or if so requested by any member of the Committee or by the Chairman of the Board.
- 3.2 In order to form a quorum (subject to a minimum of two (2)) 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 from amongst them.
- 3.3 The Group Financial Controller and Internal Auditors will usually attend the meeting and the presence of External Auditors may be requested if required.

The Committee may, as and when necessary, invite other Board members and senior management to attend the meeting.

- 3.4 The Committee meetings shall be governed by the provisions of the Company's Constitution relating to Board meetings unless otherwise provided for in the Term of Reference. The Committee may establish procedures from time to time to govern its meetings, keeping of minutes and its administration.
- 3.5 A member of Committee may participate in a meeting of 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.
- 3.6 The notice and agenda for each Committee meeting shall be sent to all members of the Committee and any other persons who may be required to attend the meeting within seven (7) days.
- 3.7 The Committee shall meet with the External Auditors without the presence of executive Board members and management at least once a year as well as when required.
- 3.8 Subject to item 3.1 above, in appropriate circumstances, the ARMC may deal with matters by way of circular reports and resolutions in lieu of convening a formal meeting. A resolution in writing signed by all members in lieu of convening a formal meeting shall be as valid and effectual as it had been passed at a meeting of the ARMC duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more members.

#### **4.0 AUTHORITY**

- 4.1 The ARMC shall:
- (a) have explicit authority to investigate any matter within its terms of reference;
  - (b) have the resources which are required to perform its duties;
  - (c) have full and unrestricted access to any information and records pertaining to the Company and Group as well as personnel of the Company and the Group;
  - (d) have direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity (if any);

- (e) be able to obtain independent professional or other advice, at the expense of the Company wherever necessary and reasonable and in accordance with a procedure to be determined by the Board of Directors, in order to perform of its duties;
  - (f) be able to convene meetings with External Auditors, Internal Auditors or both (without the presence of executive Board members and management) as and whenever deemed necessary; and
  - (g) promptly report to Bursa Securities where a matter reported by the ARMC to the Board has not been satisfactorily resolved resulting in a breach of the ACE Market Listing Requirements of Bursa Securities (“AMLR”).
- 4.2 The Chairman of the ARMC shall engage on a continuous basis with senior management, such as the Chairman, the Managing Director or Chief Executive Officer, the Group Financial Officer/Finance Manager, the Internal Auditors and the External Auditors in order to be kept informed of matters affecting the Group.

## **5.0 SECRETARY AND MINUTES OF MEETING**

- 5.1 The Company Secretary shall be the secretary to the Committee and shall be present at all meetings to record minutes. Minutes of each meeting shall be prepared and entered into the Minutes Book of the Company provided for the purpose and sent to the Committee members and shall be made available to all Board members. The minutes shall be signed by the Chairman of the Committee.
- 5.2 The Secretary shall have the following responsibilities:
- (a) Draw up meeting agenda in consultation with the Chairman and circulate the agenda together with the relevant papers within a reasonable period prior to each meeting to enable full and proper consideration be given to issues;
  - (b) Ensure the minutes are circulating to all members of the Committee and make the same available to Board members who are not members of Committee; and
  - (c) Ensure that the minutes of the Committee meetings are properly produced and kept at the registered office of the Company. The minutes shall be open for inspection by the Board. Any request by Management or other persons to inspect the minutes shall be subjected to the approval of the Committee for inspection if required.

## 6.0 FUNCTIONS AND RESPONSIBILITIES

6.1 The Committee will undertake the following responsibilities and functions in fulfilment of para 15.12 of the AMLR and report on the same to the Board.

### 6.2 External Audit

6.2.1 Review the audit scope, nature and plan with External Auditors, including any changes to the planned audit scope and ensure co-ordination where more than one firm of auditors is involved and report on the same to the Board;

6.2.2 Review external audit reports to ensure that prompt corrective actions are taken to address issues (including any deficiencies in internal control system) highlighted and report on the same to the Board;

6.2.3 Discuss problems and reservations, if any, arising from the interim and final audits, and any matter which the external auditors wishes to discuss in the absence of the Management, where necessary;

6.2.4 Review the assistance and cooperation rendered by the Group's employees to the External Auditors and report on the same to the Board;

6.2.5 Consider the appointment, objectivity, suitability and independence of the external auditor, the services and audit fee (to ensure balance between objectivity and value for money) and any questions of resignation or dismissal, and the letter of resignation from External Auditors, if applicable;

6.2.6 Review whether there is reason, supported by grounds, to believe that the external auditors are not suitable for reappointment and report the same to the Board, and

6.2.7 Discuss the contracts for the provision of non-audit services which can be entered into and procedures that must be followed by the External Auditors. The contracts that cannot be entered into should include:

- (a) Management consulting;
- (b) Strategic decision;
- (c) Internal audit; and
- (d) Policy and standard operating procedures documentation.

### 6.3 Internal Audit

6.3.1 Review the adequacy of the scope, functions, competency, budget and resources of the internal audit function and whether it has the necessary authority to carry out its work;



- 6.3.2 Review the internal audit plan, processes and results of the internal audit assessments, investigation undertaken and where necessary, ensure that appropriate action is taken by management on the recommendations of the internal audit function;
  - 6.3.3 Approve any appointments or termination of Internal Auditors and provide the resigning Internal Auditors an opportunity to submit his reasons for resigning;
  - 6.3.4 Review the assistance and co-operation given by the employees of the Company to the internal auditors;
  - 6.3.5 Review the performance of the Internal Auditors on an annual basis; and
  - 6.3.6 Review the adequacy and effectiveness of internal control systems, including management information system and the Internal Auditors and or External Auditors' assessment of these systems.
- 6.4 Financial Reporting & Related Party Transaction
- 6.4.1 Review the quarterly and year-end financial statements of the Company, focusing particularly on:
    - (a) any changes in or implementation of major accounting policies changes and practices;
    - (b) significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events and / or transactions, significant adjustments arising from the audit and how these are addressed;
    - (c) the going concern assumption;
    - (d) integrity of financial statements; and
    - (e) compliance with accounting standards and other legal requirements
  - 6.4.2 Oversee the Group's internal control structure to ensure operational effectiveness and efficiency, reduce risk of inaccurate financial reporting, protect the Company's assets from misappropriation and encourage legal and regulatory compliance;
  - 6.4.3 Review major audit findings (including status of previous audit recommendations) and management's response with management, External Auditors and Internal Auditors; and
  - 6.4.4 Review any related party transaction and conflict of interests situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity and report the same to the Board.

## 6.5 Risk Management

- 6.5.1 Review the adequacy of Group's risk management framework and assess the resources and knowledge of the Management and employee involved in the risk management process;
- 6.5.2 Evaluate risk management processes and the effectiveness of measures undertaken to address those risks identified to ensure that these are adequate to minimise any exposures to risks including frauds;
- 6.5.3 Review and recommend corrective measures undertaken to remedy failings and/or weaknesses;
- 6.5.4 Review and further monitor principal risks that may affect the Group directly or indirectly that if deemed necessary, recommend additional course of action to mitigate such risks;
- 6.5.5 Review and evaluate with both external and internal auditors the management procedures to ensure compliance with laws, regulations, policies and codes of practice or conduct; and
- 6.5.6 Monitor the Group's operations via internal audit reports to ascertain the efficiency and effectiveness of the Group's operations and report on the same to the Board.

## 6.6 Others

- 6.6.1 Review the Committee' reporting and the statement with regard to the state of internal controls and risk management of the Group for inclusion in the Annual Report and report the same to the Board;
- 6.6.2 Verify the allocation of share options given to the eligible employees is in accordance with the criteria for the Employee Share Option Scheme and the Bursa Securities Listing Requirements at the end of each financial year, if any;
- 6.6.3 Direct and supervise, as appropriate, any necessary investigations and review all reports on any major irregularities;
- 6.6.4 Perform any other work that it is required or empowered to do by statutory legislation or guidelines as prepared by the relevant government authorities; and
- 6.6.5 Undertake any responsibilities as authorised by the Board.

## **7.0 REPORTING**

- 7.1 The Chairman shall, at the conclusion of each meeting, report to the Board on activities that it had undertaken and key recommendations for the Board's consideration and approval as well as follow-up status on any key recommendations from previous internal audits.
- 7.2 Where 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 Bursa Securities' Listing Requirements, the Committee shall promptly report such matter to Bursa Securities.

## **8.0 REVIEW OF THE COMMITTEE**

- 8.1 The term of office and performance of the ARMC and each of its members shall be reviewed by the Nominating Committee at least once annually to determine whether the ARMC and members have carried out their duties in accordance with the terms of reference.

## **9.0 DISCLOSURE**

- 9.1 The ARMC is required to prepare an annual report at the end of each financial year to be included and published in the Annual Report of the Company. The ARMC Report shall include all the prescribed information as stated under para 15.15 of the AMLR:
- (a) the composition of the audit committee, including the name, designation (indicating the chairman) and directorship of the members (indicating whether the directors are independent or otherwise);
  - (b) the number of audit committee meetings held during the financial year and details of attendance of each member;
  - (c) a summary of the work of the audit committee in the discharge of its functions and duties for that financial year of the listed issuer and how it has met its responsibilities; and
  - (d) a summary of the work of the internal audit function.
- 9.2 The ARMC shall assist the Board in making the following additional statements in the Company's Annual Report:
- (a) Statement explaining the Board's responsibility for preparing the annual audited financial statements of the Group; and
  - (b) Statement on the state of internal controls and risk management of the Group.

## **10.0 REVIEW OF TERMS OF REFERENCE**

- 10.1 The Terms of Reference shall be reviewed by the Committee as and when required. All amendments to the Terms of Reference must be approved by the Board.
- 10.2 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.
- 10.3 The Terms of Reference of the ARMC must be made available on the Company's website.

*The Term of Reference of ARMC has been approved by the Board of Directors on 1 October 2021.*