



KUMPULAN JETSON BERHAD

(Company No. 34134-H)

TERMS OF REFERENCE OF THE RISK MANAGEMENT AND AUDIT COMMITTEE

1. OBJECTIVES

1.1 The objective of the Risk Management and Audit Committee (“RMAC”) is to assist the Board of Directors (“Board”) in meeting its responsibilities relating to the accounting and management control, financial reporting and risk management of the Company and its subsidiaries (“Group”).

In addition, the RMAC shall:

- a) oversee and appraise the quality of the audits conducted both by the Company’s internal and external auditors;
- b) maintain open lines of communication between the Board, the internal auditors and the external auditors for the exchange of views and information, as well as to confirm their respective authorities and responsibilities;
- c) determine the adequacy of the Group’s administrative, operating and accounting controls; and
- d) oversee the formulation of a structured mechanism to inculcate a strong risk management culture within the Group.

2. COMPOSITION

2.1 The Company must appoint a RMAC from amongst its directors which fulfils the following requirements:

- a) the RMAC must be composed of no fewer than three (3) members;
- b) all members of the RMAC should be financially literate;
- c) all members of the RMAC must be non-executive directors, with a majority of them being independent directors;
- d) at least one member of the RMAC:
 - i) must be a member of the Malaysian Institute of Accountants; or

- ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and:
 - he must have passed the examinations specified in Part 1 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; or
- iii) fulfils such other requirements as prescribed by Bursa Malaysia Securities Berhad.

2.2 No alternate director shall be appointed as a member of the RMAC.

2.3 The members of the RMAC shall elect a chairman from among themselves who is an independent director.

2.4 In the event of any vacancy in the RMAC resulting in the non-compliance of paragraphs 2.1 and 2.3 above, the vacancy must be filled within three (3) months.

2.5 The Nominating Committee must review the terms of office and performance of the RMAC and each of its members on annually to determine whether the RMAC and its members have carried out their duties in accordance with its terms of reference.

2.6 No former key audit partner shall be appointed as a member of the RMAC before observing a cooling-off period of at least two (2) years.

3. FUNCTIONS

3.1 The functions of the RMAC are as follows:

- a) To review the following and report the same to the Board:
 - i) with the external auditors, the audit plan;
 - ii) with the external auditors, their evaluation of the system of internal controls;
 - iii) with the external auditors, the audit report;
 - iv) the assistance given by the Company's employees to the external auditors; and
 - v) any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- b) Recommending and reviewing the nomination, appointment, fees, resignation, dismissal, performance, independence and non-audit engagement of the external auditors before making recommendation to the Board;

- c) Assess and monitor the performance, suitability, objectivity and independence of the external auditor annually. The assessment is to be based on, amongst others, the following:
- the competence, audit quality and resource capacity of the external auditor in relation to the audit;
 - the nature and extent of the non-audit services rendered and appropriateness of the level of fees; 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.
- d) To discuss with the external auditors before commencement of audit, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- e) To review the quarterly results and annual financial statements of the Group, prior to the approval by the Board, focusing particularly on:
- changes in or implementation of major accounting policies;
 - significant matters highlighted including financial reporting issues, significant judgements made by Management, significant and unusual events or transactions, and how these matters are addressed;
 - going concern assumption; and
 - compliance with accounting standards and other legal requirements;
- f) To review the disclosure on the corporate governance, audit committee, risk management and internal control in the Company's Annual Report;
- g) To discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of management where necessary);
- h) To review the external auditors' management letter and management's response;
- i) To do the following, in relation to the internal audit function:
- review the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work. In developing the scope of internal audit function, the Audit Committee should satisfy itself that:
 - a) the person responsible for internal audit has relevant experience, sufficient standing and authority to enable him to discharge his functions effectively;

- b) internal audit has sufficient resources and is able to access information to enable it to carry out its role effectively; and
- c) the personnel assigned to undertake internal audit have the necessary competency, experience and resources to carry out the function effectively.
 - review the performance evaluation of the internal audit function;
 - review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
 - review the budget of the internal audit function; and
 - approve the appointment and removal of the head of the internal audit function or the professional service firm if the Company outsources its internal audit function.
- j) To consider the major findings of internal investigations and management's response;
- k) To do the following, in relation to the risk management and control:
 - review the overall risk management framework of the Group which include review of the formulation of policies, strategies and procedures and the effectiveness of the risk assessment processes to support the implementation of the risk management framework of the Group;
 - embed risk management in all aspects of business activities and promote risk management culture within the Group;
 - provide input to Management in developing risk appetite, review reports on key risk profile and action plans taken by the Management to mitigate risks and ensure implementation of appropriate control measures to manage the risks;
 - review the risk on the activities regarding the decisions (e.g. acquisition) initiatives (e.g. new products) and transactions and exposures (e.g. by amount) and prioritize them prior to being sent to the Board's attention; and
 - review the adequacy of internal control system for compliance with applicable laws, regulations, rules, directives and guidelines.
- l) To consider other areas as defined by the Board.

4. RIGHTS OF THE RMAC

- 4.1 The RMAC shall, wherever necessary and reasonable for the Company to perform its duties, in accordance with a procedure to be determined by the Board and at the cost of the Company:
- a) have 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 pertaining to the Company;
 - d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
 - e) be able to obtain independent professional or other advice; and
 - f) 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.

5. MEETINGS AND MINUTES

- 5.1 The RMAC shall meet at least four (4) times a year and such additional meetings as the Chairman shall decide in order to fulfill its duties. However, at least twice a year the RMAC shall meet with the external auditors without executive Board members present.
- 5.2 In addition, the Chairman may call a meeting of the RMAC if a request is made by any committee member, the Company's Chief Executive, or the internal or external auditors.
- 5.3 The Company Secretary or other appropriate senior officer shall act as secretary of the RMAC and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it, supported by explanatory documentation to committee members prior to each meeting.
- 5.4 The Company Secretary shall also be responsible for keeping the minutes of meetings of the RMAC, and circulating them to committee members and to the other members of the Board.
- 5.5 A quorum shall consist of a majority of independent directors.
- 5.6 By invitation of the RMAC, the Company must ensure that other directors and employees attend any particular RMAC meeting specific to the relevant meeting.
- 5.7 The Chairman of the RMAC should engage on a continuous basis with senior management, such as the chairman, the chief executive officer, the finance director, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Group.

6. CIRCULAR RESOLUTION IN WRITING OF THE RMAC

- 6.1 A resolution in writing signed by a majority of members of the RMAC shall be as valid and effectual as if it had been passed at a meeting of the RMAC duly called and constituted. All such resolutions shall be described as “Circular Resolution in Writing of the Risk Management and Audit Committee” and shall be forwarded or otherwise delivered to the Company Secretary without delay and shall be recorded by the Company Secretary. Any such resolution may consist of several documents in like form, each signed by one (1) or more of the members of the RMAC. The expressions “in writing” and “signed” include approval by legible confirmed transmission by telefax, telex, cable or telegram, or other forms of electronic means.