



# ALPHA REIT MANAGERS SDN BHD

(Company No.: 201401033529 (1109614-D))

## AUDIT AND RISK COMMITTEE

### Terms of Reference

## **1. PURPOSES**

The Audit and Risk Committee (the “**Committee**”) shall:

- 1.1 assist and support the Board of Directors’ responsibility to oversee the transparency, integrity and accountability in the activities of the Company and Alpha Real Estate Investment Trust (“**Alpha REIT**”) to safeguard the rights and interests of the Unitholder(s) of Alpha REIT and the Company’s shareholders;
- 1.2 assist and support the Board in fulfilling its fiduciary responsibilities relating to corporate accounting and reporting practices and corporate governance responsibilities through oversight of the financial reporting process and financial statement, the management of risk and internal control systems, the governance and audit processes as well as the processes in monitoring the compliance with laws and regulatory requirements; and
- 1.3 assist and to maintain open lines of communication between the Board and the External Auditor.

## **2. MEMBERSHIP**

- 2.1 The Committee shall be appointed by the Board of Directors from amongst the Directors of the Company and shall consist of not less than three (3) members.
- 2.2 No alternate director shall be appointed as a member of the Committee.
- 2.3 All members of the Committee must be non-executive Directors, with a majority comprising Independent Directors (as defined in Chapter 1 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad).
- 2.4 The members of the Committee should be financially literate and shall include at least one (1) member:
  - 2.4.1 who must be a member of the Malaysian Institute of Accountants; or
  - 2.4.2 he/she is not a member of the Malaysian Institute of Accountants, he/she must have three (3) years working experience and:
    - (a) he/she must have passed the examinations specified in Part I of the First Schedule in the Accountants Act 1967; or
    - (b) he/she must be a member of the associations of accountants specified in Part II of the First Schedule in the Accountants Act 1967; or

- (c) fulfills such requirements as specified in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

- 2.5 The members of the Committee shall elect a Chairman from amongst their number, who shall be an Independent Director.
- 2.6 The terms of office and performance of the Committee and each of its members shall be reviewed by the Board of Directors no less than once every three (3) years. However, the appointment terminates when the member ceases to be a Director.
- 2.7 In the event of any vacancy in the Committee resulting in the number of members being reduced to below three (3), the Board of Directors must fill the vacancy within three (3) months.

### **3. RIGHTS AND AUTHORITY**

For the Committee to discharge its functions and duties, the Committee is authorized to do the following:

- 3.1 investigate any matter within its terms of reference.
- 3.2 request for adequate resources to assist the Committee.
- 3.3 have full and unrestricted access to information, records and documents that are relevant and necessary, and the authority to request/seek other information from the members of the Company's management and third party service providers.
- 3.4 have direct communications channels with the External Auditor, Internal Auditor, the persons who are responsible for risk management function and/or internal control system for the Company, members of the Company's management (including the Chief Executive Officer) and such other persons whom the Committee deems appropriate.
- 3.5 engage, consult and obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise as the Committee considers necessary.
- 3.6 convene meetings with the External Auditor, Internal Auditor or third party service providers or all of them, excluding the attendance of other Directors and members of the Company's management, whenever deemed necessary.

### **4. FUNCTIONS AND DUTIES**

The Committee shall, among others, perform the following functions and duties:

#### 4.1 **AUDIT**

- 4.1.1 Review the quarterly and annual financial statements prior to the approval by the Board of Directors, focusing particularly on:
- (a) new updates or changes and implementation of major accounting policies and practices;
  - (b) significant matters highlighted including financial issues, significant judgments made by Management, significant and unusual events and transactions, and how these matters are addressed;
  - (c) the going concern assumptions; and
  - (d) compliance with accounting standards, regulatory and other legal requirements.
- 4.1.2 Review management representation letter to the External Auditor.
- 4.1.3 Considering and recommending the distribution amounts to Unitholder(s) for the Board's approval.
- 4.1.4 Review the propriety of any related party transaction and conflict of interest situation that may arise including any transaction, procedure or course of conduct that raises questions of management integrity, transparency and professionalism.
- 4.1.5 Review the procedures for detecting cheating, fraud, malpractice, unethical conduct, corruption, whistle-blowing and improprieties in the matter of financial reporting, financial control or any other matters that it deems necessary and ensuring that arrangements are in place whereby concerns or any possible improprieties may be raised and independently investigated.
- 4.1.6 Direct and where appropriate supervise or monitor any specific transactions which are not within the normal course of business of the Company and Alpha REIT or the investigations on any major issues (including cheating, ~~and~~ fraud, malpractice, unethical conduct, corruption, whistle-blowing and improprieties in the matter of financial reporting, financial control or any other) as directed by the Board or as it deems necessary, and to review the reports thereof and take the appropriate follow-up action.
- 4.1.7 Recommend to the Board the nomination of a person or persons as External Auditor and/or the outsourced Internal Auditor and to review the External Auditor and/or the outsourced Internal Auditor's scope of work, performance evaluation and budget.

4.1.8 Review with the External Auditor on:

- (a) the audit plan, the audit report and the appropriate and prompt action taken by the Company's management and/or the service to address, remedy or rectify the identified major deficiencies and procedures;
- (b) their evaluation of the effectiveness of the internal controls system;
- (c) the audit fee and on matter concerning their suitability for nomination, appointment and re-appointment and the underlying reasons for resignation or dismissal as External Auditor;
- (d) the management representation letter and management's responses;
- (e) issues and reservations arising from audits; and
- (f) the extent of assistance rendered by employees of the Company and/or its service providers to the External Auditor.

4.1.9 Review with the Internal Auditor on:

- (a) the adequacy and relevance of the scope, functions, competency and resources of the internal audit function and the necessary authority to carry out its work;
- (b) the effectiveness of the internal control system, risk management functions and governance processes including compliance with the operational handbook/manuals, the trust deed of Alpha REIT, the Securities Commission's Guidelines on Real Estate Investment Trusts and Islamic Real Estate Investment Trusts, the Listing Requirements of Bursa Malaysia Securities Berhad and other relevant laws and regulation;
- (c) the internal audit programmes, audit plans, the results of the internal audit programmes, processes or investigation undertaken and the appropriate action taken on the findings and recommendations of the Internal Auditor;
- (d) the appraisal or assessment of the performance of the internal audit functions including that of the staff and any matter concerning their appointment and termination; and
- (e) the extent of cooperation and assistance rendered by members of the Company's management and/or its service providers.

- 4.1.10 Review any letter of resignation from the External Auditor of the Company.
- 4.1.11 Review whether there is reason (supported by grounds) to believe that the Company's External Auditor are not suitable for re-appointment.
- 4.1.12 Examine the terms of tender for supply of goods, works and/or services in respect of construction and major asset enhancement initiatives proposed to be undertaken by the Company and for Alpha REIT as may be required by the Board, to review the selection for the appointment of successful tenderer, to examine/review the variation of tender terms and procedures and carry such other related functions as set out in Appendix D-1.

#### 4.2 **RISK MANAGEMENT**

##### 4.2.1 Assist the Board:

- (a) in the formulation and monitor the implementation of the ERM framework (that includes risk strategy, risk management policies, risk appetites, risk tolerance and risk profiles) and as necessary, in its opinion, make recommendations to the Board;
- (b) review and monitor the overall risk exposure, the risk appetite statement, the risk register and other reports required by the Committee and/or as directed by the Board (including but not limited to the compliance report on Anti-Corruption Policy and Procedures) and the recommendation of the appropriate action plans and/or appropriate mitigation to the Board; and
- (c) review of the following, with the advice or evaluation of the External Auditor and/or the Internal Auditor, as the case may be, and as necessary, in its opinion, make recommendations to the Board:
  - (i) the robustness of the risk management policies and processes and their fitness when tested against the ERM;
  - (ii) the effective discharge of the risk management functions, practices and procedures and the timeliness of and reports (including through the risk register) on the effectiveness of corrective action taken;
  - (iii) the adequacy, effectiveness and integrity of internal control systems, including management information system of the Company; and
  - (iv) that a robust business continuity management programme is consistently adopted by the Company to improve its resilience and preparedness for any disruptions and stress conditions.

- 4.2.2 Receive and review the quarterly risk reports, according to criteria laid down by the Committee from time to time, from the CEO on the management of risk based on the risk register and the ad hoc reports from the CEO whenever there is a significant risk event, as defined by the Committee, and as necessary, in its opinion, make recommendations to the Board.

#### 4.3 **GENERAL**

- 4.3.1 Review and ensure that the procedures are in place for the Company and Alpha REIT to comply with the trust deed of Alpha REIT and the relevant laws, regulations, guidelines, rules, requirements, practice notes (whether having the force of law), etc. applicable to real estate investment trust from time to time including the Capital Markets and Services Act 2012, the Securities Commission's Guidelines on Real Estate Investment Trusts, Guidelines on Islamic Real Estate Investment Trusts and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.
- 4.3.2 Prepare the annual Audit and Risk Committee Report to the Board which includes the composition of the Committee, its terms of reference, number of meetings held and attended by the members, a summary of its activities for the financial year and the existence of an internal audit function and summary of the activities of that function for inclusion in the annual report.
- 4.3.3 Review the following for publication in the Alpha REIT's annual report:
- (a) the statement on the Board of Directors' responsibility for the preparation of the annual audited financial statements.
  - (b) the disclosure statements on the state of the internal controls system of the Company.
  - (c) other disclosures forming the contents of the annual report including statements on the application and compliance of the laws, regulations, guidelines and regulatory requirements including the Malaysian Code of Corporate Governance, Securities Commission's Guidelines on Real Estate Investment Trusts and Guidelines on Islamic Real Estate Investment Trusts.
- 4.3.8 Carry out any other functions that may be mutually agreed upon by the Committee and the Board of Directors which would be beneficial to the Company and Alpha REIT and to ensure the effective discharge of the Committee's duties and responsibilities (including reporting to the Company's shareholders and/or Unitholder(s) of Alpha REIT, where required.
- 4.3.9 Report a summary of significant matters raised and discussed at the Committee's meetings and the decisions/recommendations/ resolutions of the Committee to the Board, followed by the presentation of the detailed minutes to the Board.

4.3.4 Perform such other functions as delegated by the Board.

## **5. MEETINGS AND RESOLUTIONS**

- 5.1 The Committee shall meet at least four (4) times a year. However, additional meetings may be called at any time at the request of any member of the Committee, non-member Directors, the Internal Auditor, the External Auditor or at the discretion of the Committee's Chairman.
- 5.2 The quorum for a Committee Meeting shall be at least two (2) members, who must be Independent Directors.
- 5.3 The Committee's meeting shall be presided by the Committee's Chairman, failing him, the remaining members shall appoint from amongst themselves to chair the Committee's meeting.
- 5.4 The Internal Auditor shall be in attendance in all meetings to present and discuss the audit reports and other related matters as well as the recommendations relating thereto and to follow-up on all relevant decisions made.
- 5.5 The Committee shall meet with the External Auditor and the Internal Auditor at least once a year without the presence of the executive Board member and shall appear before the Committee at other times when required to do so.
- 5.6 The External Auditor have the right to appear and be heard at any meeting of the Committee.
- 5.7 If required and at the Committee's invitation, the non-member Director and employees of the Company shall attend the Committee's meetings to assist in its deliberations and resolutions of matters raised.
- 5.8 A member of the Committee shall declare and abstain from participating in the discussions and decisions of the Committee on matters that gives rise to a conflict of interest involving that member.
- 5.9 The Company Secretary shall act as the Secretary of the Committee. The Secretary shall be responsible, with the concurrence of the Chairman, in drawing up and circulating the notice of meeting setting out the agendas supported by the relevant



documents to members prior to such meeting and be entrusted to minute the proceedings and decisions/recommendations at all meetings of the Committee.

- 5.10 The minutes of the Committee's meetings shall be signed by the chair to signify the true and correct record of the Committee's meetings.
- 5.11 The Committee may pass a resolution of the Committee either by way of a written resolution or at a meeting of the Committee. The written resolution recording the decision made and signed by the majority of the Committee members is valid and effective as if it were a resolution duly passed at a meeting of the Committee. Any such resolution may consist of several documents in like form, each signed by one or more of the Committee's members, and shall be as valid and effectual as if it were a resolution duly passed at a meeting of the Committee. Any such documents may be accepted as sufficiently signed by a member of the Committee if transmitted to the Company by any technology purporting to include a signature and/or an electronic or digital signature by the said member.

## APPENDIX D-1

### **FUNCTIONS**

The Committee shall assist the Board on the following in relation to the proposed construction and major asset enhancement initiatives proposed to be undertaken by the Company or for Alpha REIT:

- 1.1 in relation to the for supply of goods, works or services by and for the Company and Alpha REIT and in line with the Delegation of Authority and the Policies and Procedures of the Company:
- 1.1.1 Review and approve the list of tenderers.
- 1.1.2 Review and approve the award contracts and appointments, and where required, to recommend for Board's decision. Notwithstanding the foregoing, the Tender Committee may, on its own account, decide to raise any proposed award of contracts to the Board for the Board's approval.
- 1.1.3 Review and approve the provisional variation orders or variation orders (including cumulative variation orders).
- 1.1.4 Report to the Board the approved variation orders.
- 1.1.5 Approve the finalization of contract of within the approved contract terms and approved variation orders.

- 1.1.6 Recommend to the Board for approval on the finalization of contract not within the approved contract terms and approved variation orders.
- 1.1.7 Approve the termination of contracts with contractors or sub-contractors.
- 1.2 The approval limits of the Committee is set out in the Delegation of Authority of the Company, as approved, amended, modified or varied by the Board of Directors of the Company.
- 1.3 Monitor the effectiveness and implementation of the Delegation of Authority and the Policies and Procedures in relation to procurement/supply of goods, works or services by and for the Company and Alpha REIT.
- 1.4 Monitor the procurement activities of the Company and Alpha REIT and the associated risks, including monitoring of data on expenditure, suppliers used and variances between estimated and final costs.
- 1.5 Monitor the strategies and forward planning by Management for the short and long term procurement/supply requirements of the Company and Alpha REIT.
- 1.6 Identify and recommend members for the committees of the Board.
- 1.7 Introduce any policy or guidelines which would enable the smooth administration and effective discharge of the Committee's duties and responsibilities.
- 1.8 To report a summary of significant matters raised and discussed at the Committee's meetings and the decisions/recommendations/ resolutions Committee to the Board, followed by the presentation of the detailed minutes to the Board.
- 1.9 perform such other functions as delegated by the Board.

As approved by the Board of Directors on 23 October 2020.

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