



**SIGNATURE INTERNATIONAL BERHAD
(COMPANY NO. 754118-K)**

TERMS OF REFERENCE FOR AUDIT AND RISK MANAGEMENT COMMITTEE

1. Composition

The Audit and Risk Management Committee (“ARMC”) shall be appointed by the Board from amongst the Directors and shall consist of not less than three members. The ARMC shall comprise exclusively Independent Non-Executive Directors. At least one member of the ARMC:

- (a) must be a member of the Malaysian Institute of Accountants (“MIA”); or
- (b) if he is not a member of MIA, he must have at least three years of working experience and:
 - (i) he must have passed the examination specified in Part I of the First Schedule of the Accountants Act, 1967; or
 - (ii) he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act, 1967; or
- (c) fulfils such other requirements as prescribed or approved by the Exchange.

No alternate Director shall be appointed as a member of the ARMC.

For engagement of a former key audit partner as member, there is a cooling-off period of at least 2 years before being appointed as member of Committee.

2. Chairman

The Chairman of the Board shall not be the Chairman of the ARMC. The Chairman of the ARMC must be an independent non-executive director elected among the members of the ARMC. In the absence of the Chairman, the members shall elect any one of the members who is the independent director present at the meeting to be the Chairman of the meeting.

3. Secretary

The Company Secretary or his/her representative or other appropriate senior officer shall act as Secretary of the ARMC and shall be responsible, amongst others, drawing up meeting agendas in consultation with the ARMC Chairman, in attendance at each ARMC meeting and responsible for keeping the minutes of meetings of the ARMC, and circulating them to the ARMC and other members of the Board.

4. Quorum

The quorum for a meeting shall be two members who are both independent non-executive directors.

5. Meeting Procedure

At least four meetings shall be convened in a financial year. The ARMC shall meet with the external auditors at least twice a year without the presence of the executive Board members and management. The Secretary, in conjunction with the Chairman, shall draw up an agenda, which shall be circulated together with the relevant support papers within a reasonable period prior to each meeting to the members of the ARMC. The minutes of the meeting shall be recorded for reference and inspection purposes.

The Chairman of the ARMC may call for a meeting at the request of any members or external auditors. The ARMC members may participate in a meeting by means of conference telephone, conference videophone or any similar or other communications equipment by means of which all persons participating in the meeting can hear each other. Such participation in a meeting shall constitute presence in person at such meeting.

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 the members of the ARMC for the time being entitled to receive notice of and to attend at ARMC meetings shall be as valid and effective as if the same has been passed at an ARMC meeting duly called and constituted. Any such resolution may consist of several documents in like form each signed by one or more ARMC members. Any such document, may be accepted as sufficiently signed by an ARMC member if transmitted to the Company by telex, telegram, cable, facsimile or other electrical or digital written message purporting to include a signature of an ARMC member.

The Group Managing Director, Group Executive Director, Director of Finance/Chief Financial Officer, other management personnel, representatives of the internal and external auditors, external professional advisers or whoever deemed necessary may be present in any meeting upon the invitation of the ARMC.

6. Authority

The ARMC, wherever necessary and reasonable for the performance of its duties, in accordance with a procedure to be determined by the Board of Directors and at the cost of the Company shall have the authority to do the following:

- (a) have explicit authority to investigate any matter within its Terms of Reference;
- (b) to carry out its function within its Terms of Reference. All employees of the Group shall be directed to co-operate as requested by the ARMC;
- (c) have full and unlimited/unrestricted access to all information, documents and resources which are required to perform its duties;
- (d) to establish policies and procedures to assess the suitability and independence of external auditors and policies governing the circumstances under which contracts for the provision of non-audit services can be entered into including the procedures that must be followed by the external auditors;
- (e) be able to obtain, at the expense of the Company, independent professional or other advice, if required;

- (f) be able to convene meetings with external auditors, the person(s) carrying out the internal audit function or activity or both, excluding the attendance of the Executive Directors and employees of the Company, whenever deemed necessary;
- (g) be able to make relevant reports when necessary to the relevant authorities if any breach of the rules, regulations and/or Main Market Listing Requirements of Bursa Malaysia Securities Berhad has occurred and has not been satisfactorily resolved; and
- (h) have direct communication channels with the external auditors and person(s) carrying out the internal audit function.

7. Functions

The ARMC shall discharge the following duties and responsibilities and report the same to the Board:

(A) Financial Reporting and Compliance

- (a) to review the quarterly unaudited financial results and audited financial statements, prior to recommending to the Board for approval, focusing particularly on:
 - any changes in or implementation of major accounting policy;
 - significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions and how these matters are being addressed;
 - the going concern assumption;
 - compliance with accounting standards and other legal requirements; and
 - major areas.
- (b) to monitor any related party transaction and conflict of interest situation that may arise within the Company and its group of companies including any transaction, procedure or course of conduct that raises question of management integrity;
- (c) to verify the allocation of shares options in accordance with the criteria stipulated in the by-laws of the Employees' Share Option Scheme; and
- (d) to review and report such other matters as may be delegated by the Board from time to time.

(B) External Audit

- (a) to review with the external auditors:
 - the audit plan;
 - its evaluation of the system of internal controls;
 - the audit report;

- the assistance given by the employees and the management of the Company and its group of companies to the external auditors;
 - the management letter of the external auditors and the management's response; and
 - the Statement of Risk Management and Internal Control;
- (b) to nominate and recommend, consider the appointment and/or re-appointment of the external auditors, to consider the adequacy of experience, resources, audit fee and any issues regarding resignation or dismissal of the external auditors and to review the letter of resignation from the external auditors if applicable and report the same to the Board. In considering the appointment/re-appointment of the external auditors, to consider among others:
- (i) the adequacy of the experience and resources of the accounting firm;
 - (ii) the persons assigned to the audit;
 - (iii) the accounting firm's audit engagements;
 - (iv) the size and complexity of the Group being audited;
 - (v) the number and experience of supervisory and professional staff assigned to the particular audit;

The ARMC is to also consider the performance of the external auditors and its independence inter-alia:-

- the external auditor's ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;
 - the competence, audit quality and resource capacity of the external auditors in relation to the audit;
 - the nature of the non-audit services provided by the external auditors and fees paid for such services relative 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 auditors;
- (c) to review the competency and performance of the external auditors and whether there is any reason, supported by ground, to believe that the external auditors is not suitable for re-appointment;
- (d) to review the circumstances under which contracts and nature for the provision of non-audit services can be entered into by the Group with the external auditors or its affiliates and procedures that must be followed by the external auditors to ensure that the objectivity and independence of the external auditors are not impaired. The contracts cannot be entered into should include:
- i) Management consulting;
 - ii) Strategic decision;
 - iii) Internal audit;
 - iv) Accounting services; and
 - v) Policy and standard operating procedures documentation.

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 which constitute 50% of the total amount of audit fees paid to the external auditors, the Company is required to state the details on the nature of non-audit services rendered in the ARMC Report.

- (e) to obtain 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;
- (f) to set policies and procedures to assess the suitability, objectivity and independence of the external auditors.
- (g) to discuss problems and reservations arising from the interim and final audits, and any matter that the external auditors may wish to discuss (in the absence of management where necessary); and
- (h) to ensure co-ordination if more than one (1) audit firm is involved in the audit.

(C) Internal Audit

- (a) to review with the internal auditors the internal audit plan, processes, the results of the internal audit assessments, investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
- (b) to review the adequacy of the internal audit function including the internal audit plan, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
- (c) to ensure the internal audit function is independent of the activities it audits and the internal auditors reports directly to the ARMC. The internal auditors should have the relevant qualifications and be responsible for providing assurance to the ARMC that the internal controls are operating effectively. The internal auditors will be responsible for the regular review and/or appraisal of the effectiveness of the risk management, internal control, and governance processes within the Group;
- (d) to review and assess the performance of members of the internal audit function;
- (e) to approve the appointment or termination of the internal auditors;
- (f) to ensure that appropriate action is taken upon the recommendations of the internal auditors, where necessary;
- (g) to discuss problems and reservations arising from the internal audits, and any matter that the internal auditors may wish to discuss (in the absence of management where necessary); and
- (h) to take cognisance of resignations of internal audit staff members (for in-house internal audit function) or the internal audit service provider (for out-sourced internal audit) and provide the resigning staff member or the internal audit service provider an opportunity to submit his reasons for resigning.

(D) Risk Management and Internal Control

- (a) to review the adequacy and integrity, including effectiveness, of risk management and internal control systems, management information system, and the internal auditors' and/or external auditors' evaluation of the said systems and assess the resources and knowledge of the management and employee involved in the risk management process;
- (b) to review the risk profile of the Group (including risk registers) and the Risk Management team's plans to mitigate business risks as identified from time to time;
- (c) to review the effectiveness of internal control systems deployed by the management to address those risks;
- (d) to review and recommend the corrective measures undertaken to remedy failings and/or weakness; and
- (e) to oversee the Group's internal control structure to ensure operational effectiveness and efficiency, reduce risk of inaccurate financial reporting, protect the Group's assets from misappropriation and encourage legal and regulatory compliance.

The Chairman of the ARMC shall engage on a continuous basis with Senior Management, such as the Group Managing Director, Group Executive Director, Director of Finance/Chief Financial Officer, the internal auditors and the external auditors in order to be kept informed of matters affecting the Group.

8. Retirement and Resignation

In the event of any vacancy in the ARMC (including Chairman) resulting the non-compliance in respect of the composition of the ARMC, the Board shall upon the recommendation of the Nomination Committee fill the vacancy within three (3) months.

9. Term of Office

The Board must via the Nomination Committee review the term of office and performance of the ARMC and each of its members annually to determine whether the ARMC and its members have carried out their duties in accordance with its Terms of Reference.

10. Annual General Meeting

The Chairman of the ARMC should attend the Annual General Meeting to answer any shareholder questions on the ARMC's activities.

11. Reporting Responsibilities

The ARMC Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities.

The ARMC shall compile a report on its activities to be included in the Company's annual report. The report should include the number of ARMC meetings held during the financial year and details of attendance of each ARMC member, summary of the work of the ARMC

in the discharge of its functions, duties for that financial year and how it has met its responsibilities as well as a summary of the work of the internal audit function.

12. Minutes

The minutes of meetings of the ARMC shall be circulated to all members of the Board. The minutes shall be kept at the registered office of the Company and shall be open for inspection by the Board. Any request by Management or other persons to inspect the minutes shall be subject to the approval of the ARMC.

13. Revision of the Terms of Reference

- This Terms of Reference shall be reviewed annually by the ARMC.
- Any revision or amendment to this Terms of Reference, as proposed by the ARMC or any third party, shall first be presented to the Board for its approval.
- 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.

14. Approval

This Terms of Reference is reviewed and approved by the Board of Directors on 28 May 2018.