

NORTHEAST GROUP BERHAD (202201025913 (1471610-P))
TERMS OF REFERENCE OF THE AUDIT & RISK MANAGEMENT COMMITTEE

OBJECTIVE

The Audit & Risk Management Committee (“**ARMC**” or “**Committee**”) of Northeast Group Berhad (“**Northeast** or the “**Company**”) and its subsidiaries (“**Group**”) was formed by the Board of Directors of the Company (“**Board**”) on 15th January 2024.

The objective of the Committee is to assist the Board in discharging its statutory duties and responsibilities relating to the accounting and reporting practices of the Group.

In addition, the Committee shall:

- (a) ensure the financial statements comply with the applicable financial reporting standards;
- (b) oversee and appraise the quality of the audit conducted by the internal and external auditors. The internal auditor must report directly to the ARMC;
- (c) oversee compliance with laws and regulations, and observance of a proper Code of Conduct and Ethics by the Directors, senior management and employees; and
- (d) determine the adequacy of the internal control and risk management of the Group.

The Board shall make all decisions after considering the recommendations of the Committee.

MEMBERSHIP

The Committee shall comprise exclusively of Independent Non-Executive Directors. The composition of the Committee shall be at least three (3) in total and at least one (1) of whom:

- (a) must be a member of the Malaysian Institute of Accountants (“**MIA**”): or
- (b) if the Director is not a member of the MIA, the Director must have at least three (3) years of working experience and:
 - (i) the Director must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - (ii) the Director 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) fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad (“**Bursa Securities**”) in that the following qualifications are also acceptable:
 - (1) must have either one of the following qualifications and at least three (3) years’ post qualification experience in accounting or finance:
 - 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

NORTHEAST GROUP BERHAD (202201025913 (1471610-P))
TERMS OF REFERENCE OF THE AUDIT & RISK MANAGEMENT COMMITTEE

- (2) must have at least seven (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.

No former audit partner of the Group's external auditors shall be appointed to the Committee unless he/she has observed a cooling-off period of at least three (3) years before being appointed as a member of the Committee.

The Chairman of the Committee shall be elected among the ARMC members and no Alternate Director of the Board shall be appointed as a member of the Committee.

The Board shall, within three (3) months of a vacancy occurring in the Committee which results in the number of members reduced to below three (3), appoint such number of new member(s) as may be required to make up the minimum number of three (3) members.

The Board shall have power at any time and from time to time to rescind the appointment of any person in the ARMC and appoint new members to the ARMC as it shall deem fit.

The Board via its Nomination Committee shall review the terms of office and performance of the Committee for each of its members annually to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.

The Chairman of the Committee shall be an Independent Non-Executive Director identified by the Board. The Chairman of the Board should not hold any membership in the ARMC.

SECRETARY

The Company Secretary shall be the secretary of the Committee.

The Company Secretary shall be responsible, with the concurrence of the Chairman of the Committee, for preparing and circulating the agenda and the Notice of Meeting, together with supporting explanatory documentation to members of the Committee at least five (5) working days prior to each meeting.

ATTENDANCE

Where relevant and appropriate, the internal auditors and representatives of the external auditors shall be invited to attend the meetings. The Committee may, as and when deemed necessary, invite other Board members and senior management to attend the meetings.

MEETINGS

The Committee will meet at least four (4) times a year and such additional meetings as the Chairman shall decide in order to fulfil its duties. The external auditors or any member of the Committee may request for a meeting if necessary.

NORTHEAST GROUP BERHAD (202201025913 (1471610-P))
TERMS OF REFERENCE OF THE AUDIT & RISK MANAGEMENT COMMITTEE

The quorum for a meeting of the Committee shall be at least two (2) members, present in person who are Independent Non-Executive Directors. In the absence of the Chairman of the Committee, the members present shall elect a Chairman for the meeting from amongst the members present.

The Committee shall regulate the manner of proceedings of its meetings, having regard to normal conventions on such matters.

A member of the Committee 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.

Questions arising at any meeting of the Committee shall be decided by a majority of votes of the members present, and in the case of equality of votes, the Chairman of the Committee 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 of the Committee 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.

A circular resolution in writing signed by a majority of the members of the Committee shall be valid and effectual as if it had been passed at a meeting of the Committee duly convened. Any such resolution may consist of several documents in like form, each signed by one (1) or more members of the Committee and shall include signed copies via legible facsimile transmission or other written electronic means.

AUTHORITY

The Committee is authorised by the Board to:

- (a) investigate any matter within its terms of reference;
- (b) act upon the Board's request to investigate and report on any financial anomalies or irregularities in the financial statements and any issues or concerns with regard to the management of the Group;
- (c) have the resources in order to perform its duties as set out in its terms of reference;
- (d) have full and unrestricted access to any information pertaining to the Company and the Group;
- (e) have direct communication channels to the internal and external auditors; and
- (f) meet with the internal auditors and external auditors, excluding the attendance of the executive members of the Committee, whenever deemed necessary; and
- (g) be able to request the attendance of any employee at a meeting of the Committee and/or seek any information it requires from any employee to perform its duties.

NORTHEAST GROUP BERHAD (202201025913 (1471610-P))
TERMS OF REFERENCE OF THE AUDIT & RISK MANAGEMENT COMMITTEE

ADVISERS

The Committee is authorised by the Board to seek appropriate independent professional advice inside and outside the Company and the Group, as and when it considers necessary, as deemed expedient to assist in discharging its duties and responsibilities.

DUTIES

The duties of the Committee are to:

- (a) nominate and recommend the appointment and reappointment of external auditors taking into consideration the adequacy of experience, resources and audit fee, and any issue regarding resignation or dismissal of the external auditors;
- (b) review with the external auditors, the nature, scope and plan of the audit before the commencement of audit and report the same to the Board;
- (c) review the circumstances of non-audit services that can be entered into and procedures that must be followed by the external auditors;
- (d) review with the external auditors, their audit report and evaluation of the system of internal controls and risk management, and report the same to the Board;
- (e) monitor the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company compared to other quote(s) obtained for similar services and other related requirements;
- (f) ensure the proper policies and procedures are established and to assess the suitability, objectivity and independence of external auditors to safeguard the quality and reliability of audited financial statements, including 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 reference of all relevant professional and regulatory requirements;
- (g) make recommendations to the Board, review the quarterly and year-end financial statements and report the same to the Board, focusing particularly on:
 - (i) any changes in or implementation of major accounting policies;
 - (ii) significant matters highlighted including financial reporting issues, significant judgement made by the senior management, significant and unusual events or transactions, and how these matters are addressed;
 - (iii) significant adjustments arising from the audit;
 - (iv) the going concern assumption; and
 - (v) compliance with accounting standards and other legal requirements.

TERMS OF REFERENCE OF THE AUDIT & RISK MANAGEMENT COMMITTEE

- (h) review and report the same to the Board on 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;
- (i) review and report the same to the Board on the internal audit program, processes, the results of the internal audit program, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
- (j) review the adequacy of the Group's risk profile and risk management framework, and assess the resources and knowledge of the senior management and employees involved in the risk management process;
- (k) review the effectiveness of internal control systems and risk management system deployed by the senior management to address those risks, and recommend corrective measures undertaken to remedy failings and/or weaknesses;
- (l) review and monitor principal risks that may affect the Group directly or indirectly if deemed necessary and recommend additional course of action to mitigate such risks;
- (m) communicate and monitor the risk assessment results to the Board;
- (n) review the statement of risk management and internal control for disclosure in the annual report and ensure that such disclosure is in compliance with the requirements of the relevant authorities;
- (o) review any related party transactions (including recurrent related party transactions or any conflict of interest situations (including any potential conflict of interest) that may arise) within the Group (including any transaction, procedure or course of conduct that raises concerns of management integrity) and report the same to the Board;
- (p) review any related party transaction entered into by the Company or the Group and to determine if such transactions are undertaken on an arm's length basis and normal commercial terms, on terms not more favourable to the related parties than those generally available to the public, and to ensure that the Directors report such transaction annually to the shareholders in the annual report;
- (q) maintain and keep under review the whistle-blowing mechanism of the Group which shall be in accordance with Whistleblowing Policy, as well as an effective and efficient set of investigation procedures, which aims to provide protection and confidentiality;
- (r) ensure that the results of any audit, reviews of risk assessment, control measures and performance are reported to all top-level management, including the full Board and acted upon;
- (s) have the resources which are required to perform its duties, including assigning a competent person or function to be responsible for all anti-corruption and anti-bribery compliance matters;
- (t) ensure the internal and external trainings in relation to anti-corruption and anti-bribery are developed for Directors, senior management and all employees;

NORTHEAST GROUP BERHAD (202201025913 (1471610-P))
TERMS OF REFERENCE OF THE AUDIT & RISK MANAGEMENT COMMITTEE

- (u) review the major findings of any corruption and whistle-blower matters, deliberate and decide on the appropriate actions required on such matters until the matters are resolved satisfactorily;
- (v) review and verify the allocation of options/ granting of shares to employees under share issuance scheme, if any; and
- (w) consider and examine such other matters as the Committee considers appropriate or may be authorised by the Board.

MINUTES OF MEETINGS

The Secretary of the Committee shall keep the minutes of meetings and copies thereof shall be circulated to all members of the Board.

REPORTING RESPONSIBILITIES

The Chairman of the Committee shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

The Committee shall make the necessary recommendations to the Board it deems appropriate or any area within its remit where action or improvement is needed for the Board's deliberation and decision.

The Committee shall prepare an Audit and Risk Management Report to be included in the Company's annual report including the following:

- (a) the composition of the 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 Committee meetings held during the financial year and details of attendance of each member;
- (c) a summary of the work of the Committee in discharging its functions and duties for the financial year and how it has met its responsibilities; and
- (d) a summary of the work of the internal audit function and risk management system.

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 the ACE Market Listing Requirements of Bursa Securities, the Committee shall promptly report such matter to Bursa Securities.

PERIODIC REVIEW

The terms of reference of the ARMC shall be reviewed annually by the Board and is available on the Company's website.

The Terms of Reference of the ARMC was reviewed and approved by the Board on 18th March 2024.