

BERJAYA FOOD BERHAD
[Registration No. 200901032946 (876057-U)]
(Incorporated in Malaysia)

TERMS OF REFERENCE OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

1. MEMBERSHIP

The Audit and Risk Management Committee (“the Committee”) shall be appointed by the Board from amongst the Directors and shall consist of not less than three (3) members and all the Committee members must be Non-Executive Directors, with majority of them being Independent Directors. At least one (1) member of the Committee must be a member of the Malaysian Institute of Accountants or such other qualifications and requirements as prescribed or approved by Bursa Malaysia Securities Berhad (“Bursa Securities”). No former audit partner shall be appointed as a member of the Committee before observing a cooling-off period of at least three (3) years. No alternate director shall be appointed as a member of the Committee.

If a member of the Committee resigns, dies or for any other reason ceases to be a member resulting in the number of members being reduced to below three (3), the Board of Directors shall, within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members. The terms of office and performance of the Committee and each of its members shall be reviewed by the Nomination Committee annually.

2. QUORUM

A quorum of meeting shall consist of two (2) members and a majority of the members present must be Independent Directors.

3. CHAIRMAN

The Chairman of the Committee, who is not the Chairman of the Board, shall be an Independent Director appointed by the Board. The responsibilities of the Chairman of the Committee, amongst others, are as below:-

- a) Planning and conducting meetings;
- b) Reporting on each meeting of the Committee to the Board;
- c) Encouraging open discussion during meetings;
- d) Ensuring that the meetings run efficiently and each agenda item is thoroughly and thoughtfully discussed by all members of the Committee;
- e) Maintaining active ongoing dialogue with management and both internal and external auditors; and
- f) Attending general meetings to answer any questions raised by the shareholders on the Committee’s activities.

4. SECRETARY

The Company Secretary shall be the Secretary of the Committee and shall be responsible, in conjunction with the Chairman of the Committee, for drawing up the agenda and circulating it, supported by explanatory documentation to the Committee members prior to each meeting.

The Secretary shall also be responsible for keeping the minutes of meetings of the Committee and circulating them to the Committee members and to the other members of the Board of Directors.

5. FREQUENCY OF MEETINGS

Meetings shall be held not less than five (5) times a year and will normally be attended by the Director charged with the responsibilities of the Group's finance or the Chief Financial Officer if any, the Head of Internal Audit and the Risk Management Committee of the different operations in the Group. The presence of External Auditors will be requested if required and the External Auditors may also request a meeting if they consider it necessary.

6. AUTHORITY

The Committee is authorised by the Board and at the cost of the Company, to:-

- (a) 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 or the Group;
- (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 external legal or independent professional advice as necessary; and
- (f) convene meetings with the external auditors, the internal auditors, or both, excluding the attendance of other directors and employees of the Group, whenever deemed necessary.

7. DUTIES

The duties of the Committee shall be:

- (a) To review and recommend the appointment of External Auditors, the audit fee and any questions of suitability, resignation or dismissal including recommending the nomination of person or persons as External Auditors;
- (b) To discuss with the External Auditors on the following:-
 - (i) audit plan including nature and scope of audit and to ensure coordination of audit where more than one (1) audit firm is involved;
 - (ii) the evaluation of the system of internal controls; and
 - (iii) assistance given by the employees of the Company to the External Auditors;
- (c) To review the quarterly results and year-end financial statements prior to the approval by the Board, focusing particularly on:
 - changes in or implementation of major accounting policy changes;
 - significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions, and how these matters are addressed; and
 - compliance with accounting standards and other legal requirements;
- (d) To prepare the Committee Report at the end of each financial year;

- (e) To discuss problems and reservations arising from the interim and final external audits, and any matters the External Auditors may wish to discuss (in the absence of management, where necessary);
- (f) To review the External Auditors' management letter and management's response;
- (g) To establish policies and procedures to assess the performance, suitability, objectivity and independence of external auditors that considers, among others:
 - the competence, audit quality and resource capacity of the external auditors in relation to the audit;
 - the nature and extent of the non-audit services rendered and appropriateness of the level of the 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.

The assessment on the suitability, objectivity and independence of the external auditors should be conducted annually.

- (h) To do the following with regards to related party transaction (including recurrent related party transactions) and conflict of interest situations:-
 - To review any related party transaction and conflict of interest situation that arose, persist or may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity and the measures taken to resolve, eliminate, or mitigate such conflicts; and
 - Ensure that the Group has adequate procedures and processes in place to monitor, track and identify recurrent related party transaction and to review these procedures and processes on a half yearly basis;
- (i) To do the following with regards to the internal audit function:-
 - review the adequacy of scope, functions, competency and resources of the internal audit department and that it has the necessary authority to carry out its work;
 - review the internal audit plan, processes, the results of the internal audit assessment, investigation undertaken and whether or not appropriate action is taken on the recommendations;
 - ensure coordination of external audit with internal audit;
 - consider the major findings of internal audit investigations and management's response, and ensure that appropriate actions are taken on the recommendations of the internal audit function;
 - to review related party transactions entered into by the Company and its subsidiaries, and to ensure that the Directors report such transactions annually to shareholders via the annual report; and
 - to review and monitor the effectiveness of internal control systems and to evaluate the systems with the external auditors;

- (j) To carry out such other responsibilities, functions or assignments as may be defined jointly by the Committee and the Board of Directors from time to time;
- (k) In compliance with Paragraph 15.16 of the Listing Requirements of Bursa Securities, 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 Listing Requirements, the Committee must promptly report such matter to Bursa Securities;
- (l) To undertake the following risk management activities:
 - (i) *Establishing Strategic Context* – Ensuring that the strategic context of the risk management strategy is complete and takes into account the environment within which the Group operates and the requirements of all stakeholders and the Board;
 - (ii) *Establishing Risk Management Processes* – Determining the overall risk management processes that should be adopted by the business units and developing appropriate guidelines and policies for implementation;
 - (iii) *Establishing Risk Management Structure* – Ensuring a short and long term risk management strategy, framework and methodology have been implemented and consistently applied by all business units;
 - (iv) *Embedding Risk Management Capability* – Ensuring risk management processes are integrated into all core business processes and that the culture of the organisation reflects the risk consciousness of the Board;
 - (v) *Establishing Reporting Mechanism* – Providing a consolidated risk and assurance report to the Board to support the statement relating to internal control in the Company’s annual report;
 - (vi) *Integrating & coordinating assurance activity* – Ensuring alignment and coordination of assurance activity across the organisation;
 - (vii) *Establishing Business Benefits* – Identifying opportunities to release potential business benefits through the enhancement of risk management capabilities within the Group;
 - (viii) *Establishing Effectiveness of Risk Management Processes* – Simplifying and improving the effectiveness of existing risk management structures; and
 - (ix) *Managing the Group Wide Risk Management Programme* – Supporting the implementation of the risk management processes within the business. The Committee will act as steering committee for the Group Wide Risk Management Programme.

The details of the above risk management activities are set out in “Appendix A”.

8. REVIEW OF THE TERMS OF REFERENCE

The members of the Committee will assess, review and update the above terms of reference periodically or as and when there are changes to the regulatory requirements and changes to the direction or strategies of the Company that may affect the Committee's roles and recommend the changes for approval by the Board.

The latest copy of the terms of reference of the Committee shall be made available on the Company's website.

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 - Terms of Reference of Audit and Risk Management Committee

Detailed Terms of Reference of the Committee in Relation to Risk Management Activities

<p>Establishing Strategic Context</p>	<p>Ensure that the risk management strategy is fully cognisant of:</p> <ul style="list-style-type: none"> • The relationship between the Group and its environment, identifying the organisation’s strengths, weaknesses, opportunities and threats; • The requirements for consistency in risk management processes operating within the different businesses; and • The requirements of internal and external stakeholders and their risk perceptions. <p>The Committee role includes assisting the Board to establish communication with the stakeholders.</p>
<p>Establishing Risk Management Processes</p>	<p>The Committee shall determine the overall risk management processes to be adopted by the organisation:</p> <p><i>Conducting risk identification</i> – The Committee establishes and sponsors the process for the comprehensive identification of risk using a well structured and systematic process operated on an organisation – wide basis and communicates the requirements to the businesses. The individual business units are responsible for completing the risk identification in compliance with the agreed process.</p> <p>The risk identification process should be kept up to date.</p> <p><i>Conducting risk evaluation</i> – The Committee determines the factors that should be taken into account to evaluate risks and the level of complexity that should be adopted by the business to complete the assessment.</p> <p><i>Determining risk treatments</i> – The Committee establishes the most appropriate options that businesses can utilise to deal with risks.</p> <p>The Committee retains responsibility for ensuring that the most appropriate strategies are adopted.</p> <p>The Committee has responsibility for establishing a process for:</p> <ul style="list-style-type: none"> • Identifying treatment options and strategy; • Evaluating treatment options; • Selecting treatment options; • Preparing treatment options; • Implementing plans; • Monitoring implementation of plans; and • Generating assurance to the Group that the processes are operating as designed.

<p>Establishing Risk Management Structure</p>	<p>Ensure that the following are implemented:</p> <ul style="list-style-type: none"> • A short and long term risk management strategy which is clearly communicated and understood throughout the Group; • A Group’s risk management framework; and • A Group risk management methodology to enable a consistent approach and application to be adopted when evaluating risk and is consistent with the risk management processes.
<p>Embedding Risk Management Capability</p>	<p>Ensure that risk awareness is embedded throughout the Group which requires:</p> <ul style="list-style-type: none"> • Risk management processes are integrated into all core business processes; • An organisational structure to support the risk management strategy and ensure there is clear ownership and communication of risk; • The organisational policy and goals to help define the criteria by which it is decided whether a risk is acceptable or not; • Clear escalation processes; • Risk management to be included as part of the personal performance management system; and • Appropriate training in risk management at all levels.
<p>Establishing Reporting Mechanism</p>	<p>The Committee has responsibility to provide a consistent and complete view of risk across the Group which requires:</p> <ul style="list-style-type: none"> • A consolidated view of the risk profile of the group and the identification of any major exposures including the remedial actions associated with those exposures; • Assurance as to the adherence to the risk management structure; and • Assurance as to compliance with external requirements such as Main Market Listing Requirements of Bursa Malaysia Securities Berhad’s Statement on Risk Management and Internal Control-Guidance for Directors of Listed Companies.
<p>Integrating & Coordinating of Assurance Reporting</p>	<p>Ensure that there is appropriate integration and coordination of assurance reporting throughout:</p> <ul style="list-style-type: none"> • An integrated assurance plan for the Group; • Regular review of assurance reporting across the key business risks; and • Tracking the implementation of agreed actions.

<p>Establishing Business Benefits</p>	<p>The Committee has responsibility for:</p> <ul style="list-style-type: none"> • Identification and monitoring the implementation of potential business benefits through the enhancement of risk management capabilities. <p>This is linked to the organisational policy and the need for the appropriate skill sets to be acquired and retained.</p>
<p>Establishing Effectiveness of Risk Management Processes</p>	<p>Ensure there is regular review of the risk management structure to identify:</p> <ul style="list-style-type: none"> • Simplified and consistent reporting procedures; • Duplication of activity; and • Inefficient practices.
<p>Group Wide Risk Management Programme</p>	<p>Ensure that as steering committee for the Group Wide Risk Management Programme that the programme objectives are met.</p> <p>The objectives being:</p> <ul style="list-style-type: none"> • Implement best practice risk management processes that improve the effectiveness of the Group; and • Meet corporate governance requirements. <p>The Committee will be responsible for ensuring that an appropriate structure is retained to enable on-going compliance with the risk management structure once the Group Wide Risk Management Programme has been completed.</p>