



LOTTE CHEMICAL TITAN HOLDING BERHAD  
REGISTRATION NO. 199101012045 (222357-P)

# **TERMS OF REFERENCE OF THE AUDIT AND RISK MANAGEMENT COMMITTEE**

**Version 5**

**EFFECTIVE DATE: 26 MAY 2026**

1.	<b>OBJECTIVES</b>	<p>The principal objectives of the Audit and Risk Management Committee (“<b>the Committee</b>”) are to assist the Board in discharging its statutory duties and responsibilities relating to financial reporting, audit, risk management, internal control, and sustainability matters of the Company and its subsidiaries (“<b>Group</b>”).</p> <p>The Committee shall:</p> <ul style="list-style-type: none"> <li>(a) provide independent oversight to ensure financial information is relevant, reliable and timely;</li> <li>(b) evaluate the quality and effectiveness of internal and external audits;</li> <li>(c) oversee risk management framework including identification, assessment and mitigation of key risks;</li> <li>(d) ensure adequacy and effectiveness of internal control systems;</li> <li>(e) oversee compliance with laws, regulations, and corporate governance practices; and</li> <li>(f) oversee sustainability, environmental, social and governance (“ESG”) matters including policies, disclosures and performance relevant to the Group.</li> </ul>
2.	<b>COMPOSITION</b>	<p>The Committee shall be appointed from amongst the Board and shall comprise at least three (3) members, all of whom shall be Non-Executive Directors, with a majority being Independent Non-Executive Directors.</p> <p>The Chairperson of the Board shall not be a member of the Committee.</p> <p>All members of the Committee should be financially literate and have sufficient understanding of the Company’s business and must be able to read, analyse, interpret and understand the financial statements, and ask pertinent questions about the Company’s reporting process.</p> <p>At least one (1) member of the Committee:-</p> <ul style="list-style-type: none"> <li>(a) must be a member of the Malaysian Institute of Accountants (“<b>MIA</b>”); or</li> <li>(b) if not a member of the MIA, he must have at least three (3) years’ working experience; and <ul style="list-style-type: none"> <li>(i) must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or</li> <li>(ii) 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</li> </ul> </li> <li>(c) at least three (3) years post-qualification working experience in accounting or finance; and <ul style="list-style-type: none"> <li>(i) a degree/masters/doctorate in accounting or finance; or</li> <li>(ii) a member of any professional accountancy organisation which has been admitted as a full member of the International Federation of Accountants; or</li> </ul> </li> </ul>

		<p>(d) must have at least seven (7) years of 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; or</p> <p>(e) fulfils such other requirements as prescribed by Bursa Malaysia Securities Berhad ("<b>Bursa Securities</b>").</p> <p>No alternate director shall be appointed as a member of the Committee.</p> <p>A former partner of the external audit firm and/or the affiliate firm (including those providing advisory services, tax consulting etc.) of the Group is required to observe a cooling-off period of at least three (3) years before being appointed as a member of the Committee.</p> <p>The term of office and performance of the Committee and each of its members shall be reviewed by the Nomination and Remuneration Committee annually to determine whether the Committee and its members have carried out their duties in accordance with this Terms of Reference.</p>
3.	<b>RIGHTS</b>	<p>The Committee shall have authority to investigate any matter within this Terms of Reference and shall have:</p> <p>(a) full and unrestricted access to all information, documents, employees, auditors and management;</p> <p>(b) direct communication channels with internal and external auditors; and</p> <p>(c) adequate resources to perform its duties.</p>
4.	<b>CHAIRPERSON</b>	<p>The members of the Committee shall elect a chairperson from amongst its members who shall be an Independent Non-Executive Director.</p> <p>In the absence of the Chairperson of the Committee, the other members of the Committee shall amongst themselves elect a Chairperson who must be an Independent Non-Executive Director to chair the meeting.</p>
5.	<b>SECRETARY</b>	<p>The secretary of the Company ("<b>Company Secretary</b>") shall be the secretary of the Committee.</p>
6.	<b>MEETINGS</b>	<p>The Committee shall meet at least four (4) times each financial year on a quarterly basis. The Chairperson may request for additional meetings if a request is made by any Committee members, the Chairman and Chief Executive Officer or the Internal or External Auditors if they consider it necessary.</p> <p>The Committee meeting may be held at two (2) or more venues within or outside Malaysia using any technology that enables all persons to participate for the entire duration of the meeting. The technology to be used for the purpose of the meeting must be such that all persons taking part in the meeting must be able to communicate simultaneously with each of the other persons taking part in the meeting and may include telephone, television, video conferencing or any other audio and/or visual device which permits instantaneous communication.</p> <p>A virtual meeting shall be deemed to constitute a Committee meeting provided the following conditions are met:</p>

		<p>(a) all the Committee members for the time being entitled to receive notice of the Committee meeting shall be entitled to receive notice of a virtual meeting. Notice of any such meeting shall be given by an appropriate form of technology (or in such other manner) as may be permitted by the Constitution of the Company; and</p> <p>(b) Committee member may not leave a virtual meeting by disconnecting from the technology used unless he has previously expressly notified the Chairperson of the meeting of his intention to leave the meeting and that Committee member shall be conclusively presumed to have been present and have always formed part of the quorum during such a meeting until such notified time of him leaving the meeting. However, no business is to be transacted at any meeting unless a quorum of members is present at the time when the meeting proceeds to business.</p> <p>The main venue of the meeting shall be the place specified in the notice convening the meeting.</p> <p>The Company Secretary, in consultation with the Chairperson of the Committee, shall draw up the agenda of the meeting. The agenda, together with the relevant support papers, shall be circulated (including via any electronic means) at least five (5) business days, or shorter notice where it is unavoidable prior to each meeting to the members of the Committee.</p> <p>The Committee may, as and when deemed necessary, invite any Board members or any member of management or any employee of the Company, who the Committee thinks fit, to attend its meetings to assist and provide pertinent information as necessary.</p> <p>A matter put to vote at the Committee meetings shall be decided by a simple majority of the votes. In the event of an equality of votes, the Chairperson shall not be entitled to a second or casting vote.</p> <p>A member of the Committee who has an interest or is involved directly or indirectly in any matter under consideration by the meeting, shall abstain from deliberating and voting.</p> <p>The Committee shall be able to convene meetings with the external auditors, the internal auditors or both, without executive Board members or employees present whenever deemed necessary and at least twice a year with the external auditors.</p>
7.	<b>MINUTES</b>	<p>The Company shall cause minutes of all proceedings of the Committee meeting to be entered in books for that purpose, and the meeting shall be minuted either by the Company Secretary or any other person approved by the Committee. The minutes of each meeting shall be signed by the Chairperson of the meeting at which proceedings were held or by the Chairperson of the next succeeding meeting and shall be evidence of the proceedings that the meeting was duly convened and held.</p> <p>The minutes shall be kept by the Company at the Registered Office and shall be open for inspection by any Committee member or Board member.</p> <p>The minutes of each Committee meeting shall be distributed to each member of the Committee and also to the Board members for notation.</p>

8.	<b>QUORUM</b>	The quorum for the Committee meeting shall be two (2) members, who are Independent Non-Executive Directors.
9.	<b>CIRCULAR RESOLUTION</b>	<p>A resolution in writing signed by a majority of the Committee members for the time being shall be as valid and effectual as if it had been passed at a meeting of the Committee duly called and constituted.</p> <p>The resolution may consist of several documents in like form, each signed by one (1) or more Committee members. Such document may be accepted as sufficiently signed by a Committee member if it is transmitted to the Company by any technology purporting to include a signature and/or an electronic or digital signature by the said Committee member.</p>
10.	<b>REPORTING</b>	The Committee, through its Chairperson, shall report a summary of significant matters to the Board at the next Board meeting after each Committee meeting. When presenting any recommendations to the Board for approval, the Committee will provide such background and supporting information as may be necessary for the Board to make an informed decision.
11.	<b>AUTHORITY</b>	<p>The Committee shall in accordance with a procedure to be determined by the Board and at the expense of the Company:</p> <ul style="list-style-type: none"> <li>(a) have explicit authority to investigate any matter within this Terms of Reference;</li> <li>(b) have the resources which are required to perform its duties;</li> <li>(c) have full and unrestricted access to all information and documents which are required to perform its duties as well as to the internal and external auditors and management of the Group;</li> <li>(d) obtain external professional advice or other advice and invite persons with relevant experience to attend its meetings, if necessary;</li> <li>(e) have direct communication channels with the external auditors and person(s) carrying out the internal audit function; and</li> <li>(f) where the Committee is of the view that the matter they reported to the Board has not been satisfactorily resolved, resulting in a breach of the Main Market Listing Requirements of Bursa Securities ("<b>Listing Requirements</b>"), the Committee shall promptly report such matter to Bursa Securities.</li> </ul>
12.	<b>DUTIES AND RESPONSIBILITIES</b>	<p>The duties and responsibilities of the Committee are, among others, as follows:</p> <p><u>Financial Reporting</u></p> <ul style="list-style-type: none"> <li>(1) Review the quarterly results and the year-end financial statements of the Group, before submission to the Board for approval, focusing particularly on: <ul style="list-style-type: none"> <li>(a) changes in or implementation of major accounting policy changes;</li> <li>(b) significant matters highlighted including financial reporting issues, significant judgement made by management,</li> </ul> </li> </ul>

		<p>significant and unusual events or transactions and how these matters are addressed;</p> <p>(c) significant adjustments arising from the audit;</p> <p>(d) major judgemental areas;</p> <p>(e) the going concern assumption; and</p> <p>(f) compliance with accounting standards, regulatory and other legal requirements.</p> <p>(2) Review and provide advice on whether the financial statements taken as a whole provide a true and fair view of the Group's financial position and performance.</p> <p>(3) Ask probing questions to ascertain whether the financial statements are consistent with operational and other information known, where there are significant matters requiring decision.</p> <p>(4) Demonstrate an appropriate level of vigilance and scepticism towards, among others, detection of any financial anomalies or irregularities in the financial statements.</p> <p><u>External Auditors</u></p> <p>(5) Consider and recommend to the Board the appointment or re-appointment of external auditors and to fix their fees (audit and non-audit), after assessing their suitability, objectivity, independence and capabilities as well as the effectiveness of the external audit process.</p> <p>(6) Review the following and report the same to the Board:</p> <p>(a) letter of resignation from the external auditors or suggestions for their dismissal, including a copy of any written representations or statement of circumstances in relation to the resignation made by the external auditors, if applicable; and</p> <p>(b) whether there is reason (supported by grounds) to believe that the external auditors is not suitable for re-appointment.</p> <p>(7) Assess the suitability, objectivity and independence of the external auditors on an annual basis based on the policies and procedures that have been established and the annual performance evaluation of the external auditors undertaken by the Committee. The policies and procedures must include among others consideration on:</p> <p>(a) the criteria to guide decisions on the appointment and re-appointment of the external auditors. The criteria should include an assessment of the competence, audit quality and resource capacity of the external auditors in relation to the audit. The assessment should also consider information presented in the Annual Transparency Report of the audit firm. If the Annual Transparency Report is not available, the Committee may engage the audit firm on matters typically covered in an Annual Transparency Report including the audit firm's governance and leadership structure as well as</p>
--	--	---

		<p>measures undertaken by the firm to uphold audit quality and manage risks;</p> <p>(b) the appropriateness of audit fees to support a quality audit;</p> <p>(c) requirement for non-audit service to be approved by the Committee before they are rendered by the external auditors and its affiliates while taking into account the nature and extent of the non-audit services and the appropriateness of the level of fees;</p> <p>(d) requirement 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; and</p> <p>(e) the conduct of an annual evaluation on the performance of the external auditors and undertaking follow-up measures, where required.</p> <p>(8) Review the following with the external auditors and report the same to the Board:</p> <p>(a) audit plan, its scope and nature;</p> <p>(b) audit report on financial statements;</p> <p>(c) evaluation and findings of the system of risk management and internal controls;</p> <p>(d) the assistance given by the employees to the external auditors, including any difficulties or disputes with management encountered during audit;</p> <p>(e) external auditors' management letter and management's response thereto; and</p> <p>(f) any other matters that the external auditors may wish to discuss (in the absence of management where necessary).</p> <p><u>Internal Audit</u></p> <p>(9) Review the adequacy of the scope, competency, resources and budget allocation of the internal audit function, and that it has the necessary authority to carry out its work.</p> <p>(10) Review the internal audit plan, programme, processes, and the reporting structure.</p> <p>(11) Review the findings of the internal auditor's reports, internal audit assessments, investigations undertaken and whether or not appropriate actions are taken by the management, based on the recommendations of the internal auditors.</p> <p>(12) Review the appraisal or assessment of the performance of the internal audit function on an annual basis.</p> <p>(13) Review any special audit which the Committee deems necessary.</p>
--	--	---

Risk Management and Internal Control

- (14) Establish an adequate and effective Group's risk management and internal control framework.
- (15) Review and assess the Group's level of risk appetite and risk tolerance.
- (16) Review the enterprise risk management framework, policies and process, including identifying, managing, monitoring and mitigating the significant risks of the Group, and recommend to the Board for approval.
- (17) Review significant risks identified and assess the mitigating actions put in place to manage these risks.
- (18) Review the adequacy of resources for managing the risk management and internal control framework.
- (19) Review the Statement on Risk Management and Internal Control to ensure that relevant information as prescribed in the Listing Requirements are disclosed in the Annual Report.

Related Party Transactions ("RPT"), Recurrent RPT ("RRPT") and Conflict of Interest ("COI")

- (20) Establish and review the COI Policy to effectively identify, address, and manage COI or potential COI, including those that are actual, potential or perceived in nature.
- (21) Monitor, review and report to the Board any RPT, RRPT and COI situation that arose, persist or may arise within the Company or Group, including any transaction, procedures or course of conduct that raises questions of management integrity, and whether the transactions are:
  - (a) fair, reasonable, based on normal commercial terms and not more favourable to the related parties than those generally available to third parties dealing on arm's length basis;
  - (b) in the best interests of the Company; and
  - (c) not detrimental to the Company's minority shareholders,as well as review and report to the Board the measures taken to resolve, eliminate or mitigate such conflicts or potential conflicts.

Sustainability and Environmental, Social, and Governance ("ESG") matters

- (22) Review the Group's sustainability strategies, frameworks and policies, and ensure alignment with the Group's overall objectives.
- (23) Monitor ESG risks and opportunities relevant to the Group and assess the adequacy of management's actions in managing such risks.
- (24) Review the adequacy and integrity of sustainability reporting and disclosures.

		<p>(25) Assess the adequacy of controls and processes over ESG data collection and reporting.</p> <p>(26) Ensure compliance with applicable regulatory requirements, relevant guidelines, and stakeholder expectations on sustainability matters.</p> <p>(27) Oversee the overall governance and implementation of sustainability and ESG initiatives within the Group.</p> <p><u>Others</u></p> <p>(28) Review all financial related reports/statements or any other reports/statements as required by the Listing Requirements, for inclusion in the Annual Report.</p> <p>(29) Verify allocation of units or options issued pursuant to the various incentive or retention schemes implemented by the Group (if any).</p> <p>(30) Obtain regular updates from management regarding compliance matters.</p> <p>(31) Review findings, queries or investigations by the regulatory agencies (if any).</p> <p>(32) Review the adequacy and appropriateness of Anti-Bribery and Anti-Corruption Manual and Whistleblowing Policy, when necessary.</p> <p>(33) Carry out any other functions that may be mutually agreed upon by the Committee and the Board.</p>
13.	<b>DEEMING PROVISION</b>	The provisions under this Terms of Reference of the Committee have been drafted in a manner to also incorporate the provisions under the Listing Requirements and other statutes and regulations applicable to the Committee. In the event the applicable provisions of the Listing Requirements and/or relevant governing statutes and regulations relating to Committee are from time to time amended, modified or varied, such amendments, modifications and variations shall be deemed inserted herein whereupon this Terms of Reference of the Committee shall be read and construed subject to and in accordance with the amended, modified or varied Listing Requirements, statutes and regulations.
14.	<b>REVIEW OF THE TERMS OF REFERENCE</b>	This Terms of Reference of the Committee shall be periodically reviewed and updated taking into consideration the needs of the Company as well as any development in the rules and regulations that may have an impact on the discharge of the Committee's responsibilities.

*[The rest of this page has been intentionally left blank]*