



**RAM Holdings Berhad**

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**AUDIT, RISK MANAGEMENT & SUSTAINABILITY  
COMMITTEE  
Terms of Reference**

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<b>Approved by</b>	:	<b>The Board of Directors of RAM Holdings</b>
<b>Initial approved date</b>	:	<b>1 September 2015 [Board meeting no.141 (3/2015)]</b>
<b>Version no.</b>	:	<b>7</b>
<b>Last reviewed date</b>	:	<b>28 February 2024 (RAM Holdings' Board Meeting 1/2024)</b>

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## 1. OBJECTIVES

1.1 The Audit and Risk Management Committee (ARMC) established jointly by RAM Holdings Berhad (RAM Holdings) and RAM Rating Services Berhad (RAM Ratings) is **restructured to be a Committee under RAM Holdings** pursuant to the approval of Securities Commission Malaysia (SC) that the ARMC shall be recognised as a Board Committee of RAM Ratings under the SC Guidelines on Credit Rating Agencies. Given the growing emphasis on sustainability considerations as part good corporate governance, the role of ARMC will be expanded to include sustainability oversight.

1.1A In this, the committee is renamed as Audit, Risk Management and Sustainability Committee (“ARMSC”). The ARMSC shall assist the Board of Directors of RAM Group (RAM Holdings and its subsidiaries) in fulfilling its oversight responsibilities to:

- (a) Oversee financial reporting and disclosure process.
- (b) Monitor choice of accounting policies and principles.
- (c) Oversee hiring, performance and independence of external auditors.
- (d) Oversee the performance of the internal audit function.
- (e) Oversee the adoption and implementation of effective risk management process that identifies and monitors the management of the key risk areas including the management of cyber risk in an integrated and timely manner.
- (f) Review and monitor the chargeable fees related to intragroup services (management services).
- (g) Reviewing the strategies, targets and programs and providing guidance to the Board of Directors and Senior Management on all matters relating to RAM Group’s Sustainability (including the Economic, Environmental, Social and Governance) initiatives and activities thereby meeting the overall sustainability goals of RAM Group.
- (h) To provide an annual report of its activities to the Board of Directors and report its activities in the RAM Holding’s Annual Report or its annual Sustainability Report (as applicable/appropriate)

### 1.2 Definitions

Unless the contrary intention is expressed in this Terms of Reference, the following words (when used in this Terms of Reference) have the meaning set out below:

“Board” means the Board of Directors of RAM Holdings unless otherwise specified. In this, “respective boards” means the respective Boards of Directors of RAM Holdings and RAM Ratings.

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“Board Committees” means the Board Committees within the definition of CRA Guidelines.

“Committee” or “ARMSC” means the Audit, Risk Management and Sustainability Committee of the RAM Board.

“CRA Guidelines” means the Securities Commission Malaysia (SC) Guidelines on Credit Rating Agencies and includes any amendment and update thereto.

“Independent director” shall have the same meaning as assigned under the CRA Guidelines.

“RAM Group” means RAM Holdings Berhad and its subsidiaries, except Bond Pricing Agency Malaysia Sdn Bhd (BPAM).

“Senior Management” means other than a director, having authority and responsibility for planning, directing or controlling the activities of a CRA or its rating holding company, including the chief executive, chief rating officer, chief operating officer, chief financial officer, members of decision-making committees and other key persons performing functions such as risk management, compliance, internal audit or other functions as may be specified by the SC.

## 2. COMPOSITION AND MEMBERSHIP

- 2.1 The ARMSC shall comprised at least 3 non-executive board members of which the majority shall be independent directors.
- 2.2 The Chairperson of the ARMSC shall be an independent director.
- 2.3 At least one of the members must be a member of the Malaysian Institute of Accountants (MIA).
- 2.4 Where a member of ARMSC is a former key audit partner of an external audit firm that was engaged by RAM Group’s, he or she must have served a cooling period of at least three years after; –
  - (a) he ceases to be a partner of that firm; or
  - (b) the firm last serves as an auditor of RAM Group.
- 2.5 The members’ term on the ARMSC shall be determined by the Board.
- 2.6 The members of the ARMSC may be removed at any time by the Board.
- 2.7 A quorum for the ARMSC shall be a minimum of two (2) independent directors. Members who participate via telephone or video conference are deemed to be present.

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- 2.8 The ARMSC may pass its resolutions without convening a meeting, doing so in writing, by phone, by video conference, by telefax or by e-mail, provided that no member of the ARMSC objects to such procedure.
- 2.9 Although decisions are normally reached on a consensus basis, in the event of a disagreement, decision on any matter shall be made by the majority, with the Chairperson of the meeting having a second casting vote in the event of a tie. Any ARMSC member who remains opposed to a proposal after a vote can ask for his or her dissent to be noted in the minutes.
- 2.10 It is the responsibility of the Chairperson of the ARMSC to ensure the effectiveness and efficiency of the ARMSC.
- 2.11 The External Company Secretary or failing him/her, a member of RAM's management team agreeable to the Chairperson of the ARMSC or any other person that the Chairperson so appointed shall be the Secretary of the Committee.

### **3. DUTIES AND RESPONSIBILITIES**

3.1 The Audit & Risk Management Committee shall include:

#### **3.1.1 Audit**

- (a) Review in depth the annual financial statements of RAM Group. In particular, the ARMSC shall review and discuss with management and the external auditors the preliminary financial statements of RAM Group before reporting to the respective Boards focusing particularly on:
- (i) The adequacy of the adopted accounting policies and practices and the financial reporting disclosure including changes thereto;
  - (ii) Areas involving significant judgement, estimation or uncertainty and the provisions in the financial statements;
  - (iii) Significant proposed or implemented adjustments resulting from findings of the auditors;
  - (iv) Any unusual transactions, off-balance sheet adjustments or similar matters;
  - (v) The going concern assumption; and
  - (vi) External audit representation letters.
- (b) Make a proposal to the respective Boards regarding the approval of RAM Group's financial statements.
- (c) Consider accounting issues arising in respect of RAM Group's affairs.
- (d) Consider RAM Group's internal control environment. In particular, the ARMSC shall:

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- (i) Review the management's and the internal auditor's reports on the effectiveness of systems for internal control;
  - (ii) Monitor and review the scope and effectiveness of the activities of the internal audit function including the approval of the appointment or the dismissal of the person in charge of the internal audit function;
  - (iii) Review and approve the short term and long-term work plan for the internal audit function;
  - (iv) Consider major findings of the internal audit function and adequacy of management responses to these findings;
  - (v) Consider whether the controls established to prevent fraud and illegal acts seem to be adequate and make sure that all major cases of fraud/illegal acts are reported to the Chairperson of ARMSC in a timely manner.
  - (vi) Monitor the effectiveness of the implementation of the entity's cyber risk policies.
- (e) Liaise with RAM Group's external auditors. In particular, the ARMSC shall;
- (i) Review and recommend to the respective Boards the appointment, reappointment or removal of the external auditors;
  - (ii) Review and recommend engagement fees and terms;
  - (iii) Ensure co-operation with the internal audit function;
  - (iv) Consider any findings or material weaknesses in accounting and internal control that came to the external auditors' attention;
  - (v) Have the external auditors report to the ARMSC, all observations and matters which are of importance to the Committee in discharging its duties;
  - (vi) Oversee the Group's relationship with the external auditors and at least annually formally review that relationship;
  - (vii) Review on an annual basis the qualification, expertise, resources and the service provided by the Group's external auditor and the audit process – assessment on the suitability, objectivity and independence of the external audit firm;
  - (viii) Review and report to the respective Boards on the letter of resignation from the external auditor; and
  - (ix) Develop and implement the Policy in relation to the provision of non-audit services by the external auditors; the aim being to ensure that the provision of such services does not impair the external auditors' independence or objectivity.

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- (f) When appointing external auditors, ARMSC shall consider the following qualification criteria; –
- (i) The external auditor is registered as an auditor of a public interest entity with the Audit Oversight Board;
  - (ii) The external auditor must not have been convicted of any offence under the Companies Act 2016, or of any offence under any written law involving fraud or dishonesty;
  - (iii) The external auditor shall have the necessary skills, knowledge and appropriate experience to perform the audit of the company with professional competence and due care in accordance with the approved auditing standards and applicable regulatory and legal requirements;
  - (iv) The external auditor shall not have relationship with, or interest in, including an interest in shares of the company or any of its related entities that are likely to impair his or her objectivity or independence, and which cannot be reduced to an acceptable level through the application of appropriate safeguards;
  - (v) The external auditor shall not have any record of disciplinary actions taken against him or her for unprofessional conduct by the Malaysian Institute of Accountants (MIA) where the decision for such disciplinary action has not been reversed by the Disciplinary Appeal Board of the MIA; and
  - (vi) The external auditor must not have served as an engagement partner for a continuous period of more than five years with the company. An auditor who has been rotated off the audit of the company may resume the role as engagement partner only after a lapse of five years from the last audit engagement with that company.

### 3.1.2 Risk management

- (a) Oversee the risk management activities that would include the following:
  - (i) Assist the respective Boards with its responsibilities for oversight of risk management;
  - (ii) Review the implementation and maintenance of risk management framework and internal control system to manage and support RAM Group's strategy and business plan;
  - (iii) Review RAM Group's risk assessment framework to assess its soundness;
  - (iv) Recommend RAM Group's overall risk appetite and tolerance to the respective Boards for approval;

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- (v) Advise the Board on proposed strategic transactions including the undertaking of new projects, acquisitions or disposals, ensuring that a due diligence appraisal is undertaken, focusing on risk aspects and implications for risk appetite and tolerance, taking independent external advice where appropriate;
- (vi) Request for any information on a project or business opportunity that it deems necessary to undertake the risk assessment process;
- (vii) Obtain external legal and other independent professional advice, if necessary;
- (viii) Review and approve working procedures and risk management policy prepared by management; and
- (ix) Consider any other matters relevant to the Company's risk management that is referred to it by the respective Boards including ongoing review of the policies relating to risk management.

### 3.1.3 Intragroup Services (Management Services)

- (a) Review that the implementation of the Management Service Agreements to ensure it is carried out in a proper manner;
- (b) Carry out an annual review on the basis and fees charged by RAM Holdings and RAM Ratings in respect of intragroup services rendered;
- (c) Make recommendations to the respective Boards on the fees payable; and
- (d) Consider any other relevant matter in relation to intragroup services.

### 3.1.4 Sustainability Oversight

- (a) Oversee RAM Group's sustainability strategies, priorities and target setting.
- (b) Identification of Sustainability related risks (and opportunities) and the strategies employed to manage such risks (or to leverage on opportunities).
- (c) Review and endorse sustainability related matters for the Board's approval, where necessary.
- (d) To review the annual Sustainability Report of RAM Holdings.

## 4. PROCEDURES

- 4.1 Meetings shall be held not less than four times in each business year. Any member of the ARMSC, the Secretary or the external auditors may request an additional meeting if they consider this necessary.

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- 4.2 The CEO of RAM Holdings, the CEO of RAM Ratings, the Group CFO and Chief Compliance Officer shall normally be invited to attend the meetings of the ARMSC unless the Chairperson determine otherwise.
- 4.3 The Chairperson of the ARMSC can invite other persons to attend meetings of the ARMSC on a case-by-case basis.
- 4.4 At least once a year the ARMSC will meet the external auditors without management presence.
- 4.5 At least once a year the ARMSC will meet the person in-charge of the internal audit function without management presence.
- 4.6 The Chairperson of the ARMSC will be available to the CEO of RAM Holdings, the CEO of RAM Ratings, the Group CFO and Chief Compliance Officer and the person in-charge of the internal audit function to discuss any matters of concern in relation to financial reporting matters, internal control concerns or compliance with legal and regulatory obligation, in the widest sense, should this be considered necessary by those individuals.
- 4.7 The Secretary of the ARMSC shall attend to take the minutes of the meeting and provide appropriate support to the Chairperson and the Committee members.

## **5. MEMBER'S ALLOWANCE**

Members of the ARMSC shall be entitled to a sitting allowance to be determined by the Board.

## **6. REPORTING TO THE RESPECTIVE BOARDS**

The Chairman of the Committee shall report at the respective Board Meetings of RAM Holdings and RAM Ratings. In his absence, any member of the Committee or any member of the senior management assigned by the Chairman may present the report.

## **7. REVIEW OF THE TERMS OF REFERENCE**

The Committee's Terms of Reference is subject to annual review by the Committee. his Terms of Reference may be updated on an ad hoc basis as and when deemed necessary due to new regulatory/market requirements The Committee shall recommend any amendments/revisions to the RAM Holdings' Board for approval.

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