RAM Holdings Berhad

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

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| **Approved by** | : | **The Board of Directors of RAM Holdings** |
| **Initial approved date** | : | **1 September 2015 [Board meeting no.141 (3/2015)]** |
| **Version no.** | : | 8 |
| **Last reviewed date** | : | **21 July 2026 (RAM Holdings' Board Meeting 4/2026)** |

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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) Oversee RAM Group’s sustainability strategies, priorities and targets and provide guidance to the Board of Directors and Senior Management on all sustainability matters to help achieve the Group’s objectives.

(h) Provide an annual report on its activities with the Board of Directors and report its activities in the RAM Holding’s Annual Report on 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.

“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 comprise at least 3 non-executive board members of which the majority shall be independent directors. The Chairperson of the ARMSC shall be an independent director.

2.2 At least one of the members must be a member of the Malaysian Institute of Accountants (MIA).

2.3 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.

2.4 The members' term on the ARMSC shall be determined by the Board.

2.5 The members of the ARMSC may be removed at any time by the Board.

2.6 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.

2.7 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.

2.8 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.

2.9 It is the responsibility of the Chairperson of the ARMSC to ensure the effectiveness and efficiency of the ARMSC.

2.10 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 RESPONSIBILITES

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 adopted accounting policies, practices and the financial reporting disclosures, including any changes thereto;
- (ii) Areas involving significant judgement, estimation or uncertainty and the related provisions in the financial statements;
- (iii) Significant adjustments, whether proposed or implemented, resulting from auditor findings;
- (iv) Any unusual transactions, off-balance sheet adjustments or similar matters;
- (v) The appropriateness of the going concern assumption; and
- (vi) The content and adequacy of 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) Evaluate RAM Group's internal control environment. In particular, the ARMSC shall:

- (i) Review reports from the management and the internal auditor on the adequacy and effectiveness of internal control systems;

(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 significant findings of the internal audit function and assess the adequacy of management's responses and corrective actions;

(v) Evaluate the adequacy of controls established to prevent fraud, misconduct and breaches of laws and regulations and ensure that all material incidents are reported promptly to the Chairperson of ARMSC.

(vi) Review the adequacy and effectiveness of RAM Group's governance, compliance, and internal control frameworks;

(vii) Review significant findings, incidents, or matters related to regulatory compliance, ethical conduct, whistleblowing, and other governance matters, together with management's actions to address such matters.

(viii) Monitor the effectiveness of RAM Group's cyber risk management framework and information security controls.

(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 the audit engagement fees and terms of engagement for approval by the respective Boards;

(iii) Ensure effective coordination between the external auditors and internal audit function;

(iv) Review any findings or material weaknesses in accounting, financial reporting and internal controls identified by or brought to the attention of, the external auditors;

(v) Require the external auditors to report to the ARMSC on all matters relevant to the discharge of its responsibilities;

(vi) Oversee the Group's relationship with the external auditors and at least annually review that relationship;

(vii) Annually review the external auditors' qualification, expertise, resources, independence, objectivity and the effectiveness of the audit process;

(viii) Review and report to the respective Boards on any resignation or proposed removal of the external auditors; and

(ix) Review and recommend to the respective Boards the policy on non-audit services provided by the external auditors to ensure these services do not compromise the external auditors' independence or objectivity.

(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 possess 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 exceeding five (5) 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 (5) years from the last audit engagement with that company.

3.1.2 Risk management

Oversee the following risk management activities:

(a) Support the respective Boards in fulfilling their risk management oversight responsibilities;

(b) Review the implementation and maintenance of risk management framework and internal control system to manage and support RAM Group's strategy and business plan;

(c) Assess the adequacy and effectiveness of RAM Group's risk assessment framework;

(d) Receive updates from the Chief Compliance Officer on significant compliance, regulatory and governance matters, and review matters requiring the attention of the respective Boards.

(e) Recommend RAM Group's overall risk appetite and tolerance to the respective Boards for approval;

(f) Advise the Board on proposed strategic transactions including the undertaking of new projects, acquisitions or disposals, ensuring that due diligence and alignment with approved risk appetite and tolerance levels;

(g) Request information necessary to facilitate the risk assessment process for any project or business opportunity;

(h) Obtain external legal and other independent professional advice, if necessary;

(i) Review and approve working procedures and risk management policy prepared by management; and

(i) Consider any other matters relating to risk management referred to by the respective Boards.

3.1.3 Intragroup Services (Management Services)

(a) Review 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 targets and provide guidance to the Board and Management on sustainability-related matters.

(b) Oversee the identification, assessment and management of sustainability-related risks and opportunities that may have a material impact on RAM Group.

(c) Review and endorse sustainability-related matters for the Board's approval, where necessary.

(d) Review the annual Sustainability Report of RAM Holdings and recommend the same to the Board for approval.

## 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.

4.2 The CEO of RAM Holdings, the CEO of RAM Ratings and the Group CFO shall normally be invited to attend the meetings ARMSC meetings. The Chief Compliance Officer attends ARMSC meetings to present compliance updates and other matters within his or her remit, or as otherwise requested by the ARMSC.

4.3 The Chairperson of the ARMSC may invite any person to attend meetings of the ARMSC on a case-by-case basis.

4.4 The ARMSC shall meet the external auditors, without the presence of management, at least once a year.

4.5 The ARMSC shall meet the person in charge of the internal audit function without management presence, at least once a year.

4.6 The Chairperson of the ARMSC shall 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 relating to financial reporting matters, internal control concerns or regulatory compliance or other related matters, where considered necessary by those individuals.

4.7 The Secretary of the ARMSC shall attend all meetings, maintain the minutes of the meetings and provide appropriate support to the Chairperson and the members of the ARMSC.

4.8 The ARMSC shall have unrestricted access to management, employees, records, properties, and information of RAM Group to fulfil its duties.

## 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 Chairperson of the ARMSC shall report on the proceedings and deliberations of the ARMSC at the respective Board Meetings of RAM Holdings and RAM Ratings. In the absence of the Chairperson, another member of the Committee or any member of the senior management assigned by the Chairperson may present the report to the respective Boards.

## 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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