

**22 February 2022**

**TERMS OF  
REFERENCE  
(TOR)  
AUDIT COMMITTEE**

## Terms of Reference Audit Committee

### 1. Introduction

- 1.1 The Board of Directors (the "Board") of Nova Wellness Group Berhad ("NWGB" or the "Company") has established an Audit Committee ("AC" or the "Committee") drawn from amongst its members. This Terms of Reference ("TOR") sets out the matters concerning the governance of the AC.
- 1.2 This TOR is established pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements") and is approved by the Board.

### 2. Objectives

- 2.1 The AC shall assist the Board in fulfilling its fiduciary duties as well as oversight objectives on the activities of the Company and its subsidiary (the "Group") in respect of the following:
  - 2.1.1 Assist the Board in meetings its responsibilities relating to accounting and reporting practices of the Group;
  - 2.1.2 oversee financial reporting;
  - 2.1.3 assess the risks and control environment;
  - 2.1.4 evaluate the internal and external audit systems, processes and outcomes;
  - 2.1.5 review conflict of interest situations and related party transactions; and
  - 2.1.6 undertake any such other functions as may be determined by the Board from time to time.

### 3. Composition

- 3.1 The AC members shall be appointed by and from the Board of NWGB and shall comprise not less than three (3) members.
- 3.2 All the AC members must be non-executive directors, with a majority of them being independent directors.
- 3.3 No Alternate Director shall be appointed as a member of the Committee.
- 3.4 The AC must be chaired by an Independent Director with accounting expertise, and must not be the Chairman of the Board.
- 3.5 All members of the AC should be financially literate. Collectively, the committee should comprise Directors who have the skills, knowledge and experience relevant to the responsibilities of the AC.
- 3.6 Members of the AC may relinquish their membership in the AC with prior written notice to the Company Secretary. The AC will review and recommend to the Board for approval, another candidate to fill up such vacancy.
- 3.7 In the event a member/chairman of the AC resigns, demise or for any reason ceases to be a member/chairman, resulting in AC membership conditions not being fulfilled, the Board shall upon the recommendation of the Nomination Committee, appoint such number of new members/chairman as may be necessary to fulfil the requirements within three (3) months of the event.
- 3.8 At least one member of the Committee must be a member of the Malaysia Institute of Accountants ("MIA") or if he is not a member of MIA, he must have at least three (3) years of working experience and:

- i. he/she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
      - ii. he/she must be a member of the associations of accountants specified in Part II of the 1st Schedule of the Accountant Act 1967; or
      - iii. fulfils such other requirements as prescribed or approved by Bursa Securities.
  - 3.9 No former key audit partner shall be appointed as a member of the Committee before observing a cooling-off period of at least three (3) years.
4. Authority
- 4.1 The Board authorizes the AC, within the scope of its duties and responsibilities set out in this TOR:
    - 4.1.1 Investigate any activity or matter within its TOR;
    - 4.1.2 have full and unrestricted access to information, records, properties and personnel within the Group;
    - 4.1.3 obtain relevant internal and external independent professional to assist in the proper discharge of its roles and responsibilities, advice, as it deems necessary;
    - 4.1.4 maintain direct communication with the external auditors, internal auditor, and with key senior management of the Group; and
    - 4.1.5 convene meetings with the external auditors and/or internal auditors without the presence of other Directors and employees of the Group, whenever deemed necessary.
5. Secretary
- 5.1 The Company Secretary or his/her representative shall act as the secretary of the AC (the "Secretary").
  - 5.2 The Secretary shall be present to record and minute all proceedings of the AC meetings.
  - 5.3 The Secretary shall have the following responsibilities:
    - 5.3.1 ensure all meetings are arranged and held accordingly;
    - 5.3.2 draw up meeting agenda in consultation with the Chairman and circulate the agenda together with the relevant papers seven (7) days prior to each meeting to enable full and proper consideration be given to issues;
    - 5.3.3 prepare the minutes of the AC meetings and record the conclusions of the AC in discharging its duties and responsibilities.
    - 5.3.4 ensure the minutes are endorsed by the Chairman before circulating promptly to all members of the AC and make the same available to Board members who are not members of the AC;
    - 5.3.5 ensure that the minutes of the AC meetings are properly kept and produced for inspection if required.
6. Meetings
- 6.1 The AC shall meet at least four (4) times a year, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities. Additional meetings may be called at any time, at the discretion of the Chairman of the AC.
  - 6.2 The quorum for a meeting shall be two (2) members of the AC, who must both be Independent Directors.

- 6.3 In the absence of the Chairman, the members present shall elect a Chairman for the meeting, who shall be an Independent Non-Executive Director from amongst the members present.
- 6.4 AC meetings shall be governed by the provisions of the Company's Articles of Association relating to Board meetings unless otherwise provided for in this TOR. The AC may establish procedures from time to time to govern its meetings, keeping of minutes and its administration.
- 6.5 The Executive Director and other appropriate officer(s) may be invited to attend where their presence is considered appropriate as determined by the AC Chairman. Other Board members, employees of the Company and representatives of the external auditors may attend meetings upon the invitation of the AC.
- 6.6 A member of the AC shall excuse himself/herself from the meeting during discussions or deliberations of any matter which gives rise to an actual or perceived conflict of interest situation for him/her. Where this causes a lack of quorum, the AC shall appoint another candidate(s) who meets the membership criteria.
- 6.7 A member of AC may participate in a meeting by 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.
- 6.8 The notice and agenda for each AC meeting shall be sent to all members of the AC and invitees who may be required to attend seven (7) days prior to each of the AC meeting.
- 6.9 The Chairman of the AC shall report to the Board on any matter that should be brought to the Board's attention and provide recommendations of the AC that require the Board's approval at the Board meeting.
- 6.10 The Chairman shall submit an annual report to the Board, summarizing the AC's activities during the year including results and findings and the relevant training attended by each member.
- 6.11 The AC shall meet at least one a year with the internal and/or external auditors without the presence of executive Board members and the key senior management. Upon the request of the internal and/or external auditors, the AC Chairman shall also convene a meeting of the AC to consider any matter the auditor(s) believes should be brought to the attention of the Board or the shareholders.
- 6.12 Subject to 6.1 above, in appropriate circumstances, the AC may deal with matters by way of circular reports and resolutions in lieu of convening a formal meeting. A resolution in writing signed by all members in lieu of convening a formal meeting shall be as valid and effectual as it had been passed at a meeting of the AC duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more members.

## 7. Responsibilities and Duties

In fulfilling its primary objectives, the AC undertakes, amongst others, the following responsibilities and duties: -

- 7.1 External Audit
- 7.1.1 To consider the nomination and appointment/re-appointment of external auditors; and to consider the adequacy of experience and resources of the external auditors and determine the audit fee;
- 7.1.2 To review any letter of resignation from the external auditors and any issues regarding resignation or dismissal of external auditors;

- 7.1.3 To discuss with the external auditors, prior to the commencement of audit, the audit plan which states the nature and scope of audit and ensure co-ordination where more than one audit firm is involved in the audit;
  - 7.1.4 To review major audit findings arising from the interim and final external audits, the audit report and the assistance given by the Group's employees to the external auditors;
  - 7.1.5 To review with the external auditors, their evaluation of the system of internal controls, their management letter and management's responses;
  - 7.1.6 To review whether there is reason (supported by grounds) to believe that the external auditors are not suitable for re-appointment;
  - 7.1.7 Discuss the contracts for the provision of non-audit services which can be entered into and procedures that must be followed by the external auditors. The contracts that are prohibited to be entered into include management consulting, policy and standard operating procedures documentation, strategic decision and internal audit; and
  - 7.1.8 To ensure proper policies and procedures are established and to assess the suitability and independence of external auditors, including obtaining written assurance from external auditors confirming they are and have been independent throughout the conduct of audit engagement in accordance with the terms of reference of all relevant professional and regulatory requirements.
- 7.2 Internal Audit
- 7.2.1 To review adequacy of scope, functions, competency, and resources of the internal audit function (including firm that was engaged to undertake the internal audit function) and that it has the necessary authority to carry out its work;
  - 7.2.2 To review the budget of the Group's internal audit function;
  - 7.2.3 To review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
  - 7.2.4 To review 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;
  - 7.2.5 To review and approve any appointment, termination or resignation of the firm of internal auditors;
  - 7.2.6 To review the effectiveness of the Group's internal audit function and make recommendations necessary for improvement; and
  - 7.2.7 To review any appraisal or assessment of the performance of the Group's internal audit function.
- 7.3 Risk Management
- 7.3.1 To review the adequacy of Group's risk management framework and assess the resources and knowledge of the Management and employee involved in the risk management process;
  - 7.3.2 To review the effectiveness of internal control systems deployed by the Management to address those risks;
  - 7.3.3 To review and recommend corrective measures undertaken to remedy failings and/or weaknesses;

- 7.3.4 To review and further monitor principal risks that may affect the Group directly or indirectly that if deemed necessary, recommend additional course of action to mitigate such risks;
  - 7.3.5 To monitor and communicate the risk assessment results to the Board; and
  - 7.3.6 To assess the actual and potential impact of any failing or weakness, particularly those related to financial performance or conditions affecting the Group.
- 7.4 Whistleblowing
- 7.4.1 To review the Group's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.
- 7.5 Others
- 7.5.1 To review the Company's quarterly results, year-end annual financial statements of the Group and Annual Report before submission to the Board, focusing on: -
    - i. compliance with applicable financial and reporting standards as well as regulatory requirements;
    - ii. the going concern assumption;
    - iii. any changes in or implementation of major accounting policies and practices; and
    - iv. significant and unusual items and events as well as significant adjustments arising from the audit.
  - 7.5.2 To review any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity; in respect of related party transaction, including recurrent related party transactions, to:
    - i. ensure that the Group has adequate procedures and processes to identify, and where relevant, monitor and track related party transactions in a timely manner, and to review these procedures and processes annually;
    - ii. assess the sufficiency of the procedures, policies and terms of the related party transactions to ensure that the transactions are fair, reasonable and on normal commercial terms; are not more favourable to the related party than those generally available to the public and are not detrimental to minority shareholders and in the best interest of the Group;
    - iii. where the related party transactions are not comparable to quotations or comparative pricing with unrelated third parties, to review the basis of the transaction price determined by the management in comparison to transactions by/ to unrelated parties for substantially similar type transaction for approval by the Board; and
    - iv. related party transactions and conflict of interest situations shall be a permanent agenda item of the AC meeting.
  - 7.5.3 Review the Audit Committee Report for inclusion in the Company's Annual Report.

- 7.5.4 Review the statement with regard to the state of risk management and internal controls of the Group for inclusion in the Annual Report and report the same to the Board.
- 7.5.5 Oversee the Company's internal control structure to ensure operational effectiveness and efficiency, reduce risk of inaccurate financial reporting, protect the Company's assets from misappropriation and encourage legal and regulatory compliance.
- 7.5.6 To promptly report to Bursa Securities if it 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.
- 7.5.7 To consider any other functions as may be agreed between the AC and the Board.

## 8. Performance

- 8.1 On an annual basis, the Board shall via the Nomination Committee evaluate the AC's term of office and performance and extent to which the AC has met the requirements of its TOR. This assessment may constitute a part of the annual Board Effectiveness Assessment in respect of assessment of the Board Committees.

## 9. Review of the Terms of Reference

- 9.1 This TOR shall be reviewed and updated by the AC on a periodic basis as it deems appropriate for the Board to approve. Such review shall be in line with any regulations that may have an impact on the discharge of the AC's responsibilities.
- 9.2 This TOR is made available for reference on the Company's website at <https://www.nova.my/investor-relations>