

DUTCH LADY MILK INDUSTRIES BERHAD
REGISTRATION NO. 196301000165 (5063-V)

TERMS OF REFERENCE OF THE AUDIT & RISK COMMITTEE OF THE BOARD

1. Purpose

The primary purpose of the Audit & Risk Committee ("Committee") is to assist the Board of Directors to:

- (i) discharge its statutory and fiduciary responsibilities of overseeing the financial risk processes and accounting and financial reporting practices within the Group;
- (ii) review the quality of the Company's accounting function, financial reporting and internal controls;
- (iii) enhance the independence of the External and Internal Audit functions by providing direction to and oversight of these functions.

2. Authority

The Committee shall:

- (i) have authority to investigate any matter within its terms of reference;
- (ii) have full and unrestricted access to any information, records and documents pertaining to the Company;
- (iii) have the resources which are required to perform its duties;
- (iv) have direct communication channels with both the External and Internal Auditors;
- (v) be able to obtain independent professional or other advice; and
- (vi) be able to convene meetings with External Auditors, the Internal Auditors or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.

3. Composition

- (i) The Committee shall comprise at least three (3) members. All the Committee members must be Non-Executive Directors, with a majority of them being Independent Directors. The Chairperson of the Board shall not be a member of the Committee. In the event of any vacancy in the Committee (including Chairperson) resulting in non-compliance to the above, the Board shall within 3 months of the event fill the vacancy.
- (ii) At least one (1) member of the Committee must be a member of the Malaysian Institute of Accountants **or** have at least 3 years' working experience and be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967.
- (iii) The Committee will elect an Independent Director from amongst them as its Chairperson. The Chairperson of the Committee shall engage on a continuous basis with senior management such as the Managing Director, Executive



Director, Finance Director, Head of Internal Audit and the external and internal auditors in order to be kept informed of all matters affecting the company.

4. Functions

The functions of the Committee are:-

4.1 In relation to External Auditors

- (i) To consider and recommend to the Board the appointment or re-appointment of the External Auditors and fix their audit fee, and to consider any issues regarding their resignation or dismissal and the reasons thereof; In considering the appointment or re-appointment of the external auditors, to consider among others:-
 - (a) the adequacy of the experience and resources of the accounting firm;
 - (b) the persons assigned to the audit;
 - (c) the accounting firm's audit engagements;
 - (d) the size and complexity of the Group being audited;
 - (e) the number and experience of supervisory and professional staff assigned to the particular audit; and
 - (f) the performance of the external auditors and its independence inter-alia:-
 - i. communication with the management;
 - ii. the external auditors' ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;
 - iii. the competence, audit quality and resource capacity of the external auditors in relation to the audit;
 - iv. the nature of the non-audit services provided by the external auditors and fees paid for such services relative to the audit fee; and
 - v. whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non-audit services or tenure of the external auditors.

In making the assessment on the External Auditor's performance and independence, the Committee should consider the information presented in the Annual Transparency Report of the audit firm, to the extent that it is applicable.

- (ii) To take note and be informed of the audit tender process that is run by FrieslandCampina globally including ensuring that an objective criterion is established when assessing the appointment of External Auditors;
- (iii) To review and discuss with the External Auditors their audit plan, the nature and scope of audit, evaluation of the Company's systems of internal controls and their audit report on the annual financial statements, including Key Audit Matters, and report the same to the Board;

- (iv) Ensure External Auditors have sufficient understanding of business, operations and risk areas, that senior audit team members are sufficiently involved throughout the audit process, and that the team has the capacity and ability to work in different geographical regions;
- (v) To assess the External Audit firm's measures to uphold audit quality and manage risks including adopting indicators of audit quality;
- (vi) To discuss issues and reservations arising from the interim and final audits with the External Auditors, and any other matters the External Auditors or other consultants may wish to discuss, in the absence of Executive Directors and management, where necessary and in any case at least twice a year;
- (vii) To review the External Auditors' Management letter and management's response thereon and ensure management provides information and records in a timely manner;
- (viii) Obtain assurance from the External Auditors 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 that following such annual assessment review and the assurance obtained, the Committee to remain confident of the External Auditor's independence and suitability.
- (ix) Ensure that advance approval by the Board of Directors is required for non-audit services provided by the External Auditor, on recommendation of the Committee;
- (x) Review all non-audit services performed by the External Auditors to reinforce the independence and objectivity of the External Auditors. In the event the non-audit fees paid to External Auditors or a firm or corporation affiliated to the External Auditors are significant i.e. constitutes 50% of the total audit fees paid to the External Auditors, the Committee is required to state the details on the nature of the non-audit services rendered in the Committee's report.

4.2 In relation to the financial statements

- (i) To review the quarterly and annual financial statements of the Company before submission to the Board of Directors, focussing particularly on:-
 - (a) Public announcement of the results and dividend payment;
 - (b) Any changes in accounting policies and practices;
 - (c) The going concern assumption;
 - (d) Compliance with approved accounting standards;
 - (e) Compliance with Bursa Securities and legal requirements;
 - (f) Significant adjustments arising from the audit;
 - (g) Significant matters highlighted including financial reporting issues; and
 - (h) Significant judgements made by management, significant and unusual events or transactions and how these matters are addressed.

- (ii) Review the Company's dividend proposals including considering the quantum, timing and cash flow of dividend payments, and recommending the same to the Board for approval;
- (iii) To consider and review the appropriateness of any related party transaction and conflict of interest situations that may arise within the Company including ensuring compliance with applicable laws and regulations to ensure:
 - (a) internal control procedures with regards to such transactions are sufficient and have been complied with;
 - (b) transactions are fair, reasonable and undertaken on the Company's normal commercial terms; and
 - (c) transactions are not detrimental to the interest of minority shareholders;
- (iv) Review the Company's annual report prior to submission to the Board for their perusal and approval, to ensure compliance in accordance with the provisions of the Companies Act 2016 and Bursa Securities Main Market Listing Requirements, the applicable approved accounting standards as per MASB Standards and any other laws or regulations which might apply;
- (v) Review major audit findings and management's response during the year with management, External Auditors and Internal Auditors, including the status of previous audit recommendations;
- (vi) Review the assistance given by the Company's officers to the External Auditors and any issues encountered in the course of the audit work, including restrictions on the scope of activities or access to required information.

4.3 In relation to Internal Audit and Internal Controls

- (i) To do the following, in relation to the Internal Audit Department:
 - (a) Review the adequacy of the scope, functions, competency and resources of the Internal Audit Department, and that it has the necessary authority and resources to carry out its work, including training programs for the staff;
 - (b) Consider whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
 - (c) Review the internal audit plan for the year and findings of the internal audit assessment and, where necessary, ensure that appropriate actions are taken on the recommendations of the Internal Audit Department by management;
 - (d) Ensure the Head of Internal Audit reports functionally to the Committee directly and that the Committee reviews the performance of the Internal Audit function annually. The Head of Internal Audit should have the relevant qualifications and be responsible for providing assurance to the Committee that the internal controls are operating effectively.

- (ii) Ensure that the Company has an Internal Control Framework, and periodically reviews the controls, organizes self-assessments and ensures effectiveness of the system - The Global Risk & Control Team coordinates both the Control Design Assessment and the Control Self-Assessment exercise which is performed at different frequencies throughout the year in accordance with FC's Internal Control Framework (ICF) compliance programme. This programme emphasises on key controls surrounding the financial reporting process, the Company's compliance with applicable laws and internal policies, and the effectiveness of the internal processes. The Global Risk & Control Team shall provide reports on the Internal Control assessment results, deficiencies and controls requiring improvement to the Head of Internal Audit who will share these reports with the Committee during quarterly Committee meetings. The Committee may also request for the Global Risk & Control team to provide reports directly to the Committee when further discussion or inquiries are necessary. Further, the Head of Internal Audit shall raise any disagreements and/or seek alignment on the findings of the reports with management and the Global Risk & Control Team.;
- (iii) Ensure the Company adopts the Standards and Principles outlined in the International Professional Practices Framework (IPPF) of The Institute of Internal Auditors;
- (iv) Review and appraise the performance of the Internal Audit Department on an annual basis;
- (v) Approve any appointment and termination of senior staff members of the Internal Audit Department; and
- (vi) Takes cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.

4.4 In relation to Enterprise Risk Management

- (i) To review and assess the adequacy of the Enterprise Risk Management framework and controls on a quarterly basis to mitigate identified business risks which enables the Company to update key risks direction, identify material economic, environmental, social or governance (EES&G) risks and other emerging risks and to define an adequate and practical mitigation action plan where necessary;
- (ii) To review and assess the effectiveness and adequacy of the business continuity plan and monitoring its implementation;
- (iii) To ensure that the Enterprise Risk Management Framework focuses on the Company's core business operations and it allows the Company to:
 - Establish clear functional responsibilities and accountabilities within the Company's structures for management of risks;
 - Enhance and improve corporate governance with a clear, concise and comprehensive structure for the Company;

- Put in place policies and procedures on business ethics and good business conduct which includes focus on anti-bribery and corruption;
- Promote an effective risk awareness where risk management is an integral aspect of the Company's business plan and project portfolio;
- Ensure appropriate skills and resources are applied to risk management;
- Review periodic reports from the management on risk exposure, risk portfolio composition and risk management activities;
- Review and recommend new policies or changes to policies and to consider risk implications including the procedures put in place by management to prevent and detect fraud including cyber fraud.

4.5 Other Scope of Work

- (i) To consider major findings of any internal investigations and management's response thereon;
 - (ii) To review the draft circulars with respect to obtaining shareholders' mandate on any Recurrent Related Party Transactions of a Revenue or Trading Nature, before submission to the Board of Directors; and
 - (iii) To consider any other topics, as defined by the Board.
5. The Committee meets on a quarterly basis to carry out its functions and the quorum for any meeting shall be two (2) members, who must be independent Directors.
 6. The MD, Finance Director, Head of Internal Audit, the Global Risk & Control team (when required by the Audit & Risk Committee) and other members of the Management Team may attend the meetings at the invitation of the Committee.
 7. The Company Secretary shall be the secretary of the Committee.
 8. The Nominating & Remuneration Committee will review the performance of the Committee annually to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.
 9. The Committee will observe a minimum three (3) year cooling-off period before any former key audit partner can be appointed as a member of the Committee.

Dated: 19 November 2024