



MISC BERHAD

Terms of Reference of The Board Audit Committee



1. ESTABLISHMENT

The Audit Committee was established on 28 June 1993 as a committee of the Board of Directors ("the Board").

2. COMPOSITION

2.1 The Audit Committee shall be appointed by the Board from amongst its non-executive members and shall consist of not less than three (3) members with the majority comprising Independent Directors.

2.2 At least one (1) member of the Audit Committee must be a member of the Malaysian Institute of Accountants or having at least three (3) years working experience and must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act, 1967 or be a member of one of the associations of accountants specified by Part II of the 1st Schedule of the Accountants Act, 1967.

2.3 No Alternate Director can be appointed as a member of the Audit Committee.

3. CHAIRMAN

The members of the Audit Committee must elect a Chairman from among themselves who shall be an Independent Non-Executive Director.

4. MEETINGS

4.1 The Audit Committee shall hold meetings every quarter and additional meetings may be held as and when required. The quorum for each meeting must be two (2) members who shall both be Independent Directors. The external auditors may request a meeting if they consider necessary.

4.2 The Audit Committee must sit with the external auditors at least twice a year without the presence of any executive member of the Board.



- 4.3 The proceedings of the Audit Committee meetings shall be recorded and maintained by the Secretary to the Audit Committee. The Joint Company Secretary of MISC Berhad is the Secretary of the Audit Committee.
- 4.4 The President/Chief Executive Officer, Chief Operating Officer, Vice President – Finance, and the Head of Group Internal Audit ("GIA") shall normally attend Audit Committee meetings. Other representatives of Management and representatives of the external auditors may be invited to attend Audit Committee meetings on matters relevant to them.

5. AUTHORITY

The Audit Committee is empowered by the Board with the following authorities to investigate any matters within its terms of reference at the cost to be borne by MISC:-

- 5.1 Full and unrestricted access to resources and information which are required to perform its duties. This includes authority to seek information from any employees of the Group. Employees subjected to such requisition are directed to co-operate with the Audit Committee;
- 5.2 Direct communication channels with the external auditors and person(s) carrying out the internal audit functions and activities;
- 5.3 Ability to obtain independent professional advice or other and advices. The Audit Committee may also invite external independent professionals to its meetings;
- 5.4 Ability to convene meetings with the external auditors, the internal auditors or both, without the presence of other Directors and representatives of Management of the Group, if necessary; and
- 5.5 Where the Audit Committee is of the view that a matter reported to the Board has not been satisfactorily resolved resulting in a breach of the Main Market Listing



Requirements, the Audit Committee must promptly report such matter to Bursa Malaysia Securities Berhad.

6. FUNCTIONS

The Audit Committee's functions are to review, evaluate, report and make appropriate recommendations to the Board on the following matters:-

In Relation to External Auditors:-

- 6.1 Appointment of the external auditors, the audit fee and any questions of resignation and dismissal;
- 6.2 Formulation of policies and procedures to assess the suitability and independence of external auditors;
- 6.3 Review with the external auditors the nature and scope of the audit plan, the system of internal control and the audit report, including the external auditors' management letter and Management's response;
- 6.4 Assistance and cooperation rendered by the Group's employees to the external auditors;

In Relation to the Group Internal Auditors (GIA):-

- 6.5 Ensure adequacy of GIA's resources, its appropriate competency and authority within the Group;
- 6.6 Identification of the Head of GIA who reports directly to the Audit Committee, and in consultation with the Management;
- 6.7 Approve GIA's annual internal audit plan, processes and reports/findings



generated by the GIA, and whether appropriate action is taken on the recommendations of GIA;

6.8 Issuance of guidance and instructions for further actions to be taken by Management;

General:-

6.9 Review quarterly results and year-end financial statements, focusing particularly on:-

- changes in or implementation of major accounting policy changes; ;
- significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions, and how these matters are addressed; and
- compliance with accounting standards and other legal requirements;

6.10 Ensure adequacy and effectiveness of the Group's accounting policies and procedures, risk management framework and internal control systems;

6.11 Review and endorse any related party transaction and review any situation of conflict of interest that may arise within the Group including any transaction, procedure or course of action that raises questions of management integrity; and

6.12 Consider any other topics as defined by the Board.

7. VACANCY

In the event of any vacancy in the Audit Committee resulting in the non-compliance with Paragraph 2, the vacancy must be filled within three (3) months