



MISC BERHAD

Board Audit and Risk

Management Committee

(formerly known as Board Audit Committee)

Terms of Reference

REVISED AS AT 1 NOVEMBER 2017



1. ESTABLISHMENT

1.1 The Board Audit Committee that was established on 28 June 1993 as a committee of the Board of Directors ("the Board") shall be renamed as the Audit and Risk Management Committee ("ARMC") effective from 1 November 2017.

2. COMPOSITION

2.1 The ARMC 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 In the event of any vacancy in the ARMC where membership falls below three (3), the vacancy must be filled within three (3) months or within such extension period approved by Bursa Malaysia Securities Berhad ("Bursa Malaysia").

2.3 At least one (1) member of the ARMC:

2.2.1 must be a member of the Malaysian Institute of Accountants ("MIA"); or

2.2.2 if not a member of the MIA, he/she must have at least three (3) years' working experience and

(i) passed the examinations specified in Part 1 of the First Schedule of the Accountants Act, 1967; or

(ii) be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act, 1967; or

2.2.3 fulfils such other requirements as prescribed or approved by the Bursa Malaysia.

2.4 No Alternate Director can be appointed as a member of the ARMC.

2.5 Any former key audit partner of MISC Berhad shall observe a cooling-off period of at least two (2) years before being appointed as a member of the ARMC. For purposes of the foregoing, a former key audit partner means the engagement



partner, the individual responsible for the engagement of quality control review, and other audit partners, if any, on the engagement team who make key decisions or judgments on significant matters with respect to the audit of the financial statements on which the auditor will express an opinion.

3. CHAIRMAN

The members of the ARMC must elect a Chairman from among themselves who shall be an Independent Non-Executive Director and who is not the Chairman of the Board.

4. MEETINGS

- 4.1 The ARMC 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 it necessary.
- 4.2 The ARMC 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 ARMC meetings shall be recorded and maintained by the Secretary to the ARMC. The Joint Company Secretary of MISC Berhad or any other person appointed by the ARMC shall be the Secretary to the ARMC.
- 4.4 The President/Group Chief Executive Officer, Vice President – Finance, and the Head of Group Internal Audit (“GIA”) shall normally attend ARMC meetings. Other representatives of Management, representatives of the external auditors and other attendees at the discretion of the ARMC may be invited to attend ARMC meetings on matters relevant to them.

5. AUTHORITY

The ARMC is empowered by the Board with the following authority to execute any matters within its terms of reference (“TOR”) at the cost to be borne by MISC Berhad :-

- 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 request may be directed by the ARMC to co-operate with the request;

- 5.2 Direct communication channels with the external auditors and person(s) carrying out the internal audit functions and activities;
- 5.3 Right to obtain independent professional advice or other advice. The ARMC may also invite external independent professionals to its meetings if it deems necessary;
- 5.4 Right 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;
- 5.5 Right to review its TOR and to recommend amendments, revisions and updates thereto, where necessary in line with changes to the relevant laws, the prevailing corporate governance best practices or other regulatory requirements, to the Board for approval; and
- 5.6 Where the ARMC 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 of Bursa Malaysia, the ARMC must promptly report such matter to Bursa Malaysia.

6. FUNCTIONS

The ARMC'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 and re-appointment of the external auditors, the audit fee and any questions of resignation and dismissal;
- 6.2 Establishment of policies and procedures to assess the suitability, objectivity and independence of the external auditors that consider, among others:-

- 6.2.1 the competence, audit quality and resource capacity of the external auditor in relation to the audit;
- 6.2.2 the nature and extent of the non-audit services rendered and appropriateness of the level of fees; and
- 6.2.3 obtaining written assurance from the external auditors confirming 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;

The assessment on the suitability, objectivity and independence of the external auditors should be conducted annually.

- 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 Adequacy of GIA's scope, functions, resources, its appropriate competency and authority within the Group;
- 6.6 Appointment, transfer or dismissal (including termination and removal) of the Head of GIA, in consultation with the Management of MISC Berhad. The ARMC shall be informed of any resignation of the Head of GIA, who shall be provided with the opportunity to submit his/her reason for resignation to the ARMC;
- 6.7 GIA's annual internal audit plan, budget, processes and reports/findings generated by the GIA, and whether appropriate action is taken on the recommendations of GIA;
- 6.8 Effectiveness and performance of the GIA on an annual basis;



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

In Relation to Risk Management:-

- 6.10 Adequacy and effectiveness of MISC Berhad's Risk Management Framework and the on-going activities (including reports on key strategic and business risk) for identifying, evaluating, monitoring and mitigating risks;
- 6.11 Enterprise Risk Management Risk Register to ensure that appropriate systems and processes are in place to effectively monitor and manage the identified risks;
- 6.12 Determination of MISC Berhad's level of risk tolerance

In Relation to Internal Control:-

- 6.13 Adequacy and effectiveness of the Group's internal control system to provide reasonable assurance that:-
- 6.13.1 the assets of the Group are safeguarded against loss from unauthorised use or disposition and to give a proper account of the assets; and
- 6.13.2 all transactions are properly authorised and that the transactions are recorded as necessary to enable the preparation of a true and fair view of the financial statements of the Company.

General:-

- 6.14 Quarterly and annual financial statements, focusing particularly on:-
- 6.14.1 any changes in or implementation of accounting policies and practices;
- 6.14.2 significant matters highlighted including financial reporting issues, significant judgments made by Management, significant and unusual events or transactions, and how these matters are addressed; and
- 6.14.3 compliance with accounting standards and other legal requirements;



- 6.15 Ensure adequacy and effectiveness of the Group's accounting policies and procedures;
- 6.16 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
- 6.17 Ensure effectiveness of the Whistleblowing management process and the quarterly Whistleblowing reports; and
- 6.18 Consider any other topics as defined by the Board.

