

	<b>TERMS OF REFERENCE: AUDIT COMMITTEE</b>	Revision: 02
		Effective Date: November 28, 2019

Revision No	Revision History	Date
00	The TOR had been approved at 108 <sup>th</sup> Board Meeting of MNRB Holdings Berhad	<b>May 31, 2016</b>
01	The TOR had been approved at 115 <sup>th</sup> Board Meeting of MNRB Holdings Berhad	<b>August 23, 2017</b>
02	The TOR had been approved at 276 <sup>th</sup> Board Meeting of MNRB Holdings Berhad	<b>November 28, 2019</b>

<b>TERMS OF REFERENCE: AUDIT COMMITTEE</b>	<b>Revision: 02</b>
	<b>Effective Date: November 28, 2019</b>

The Board of Directors of MNRB Holdings Berhad has established an Audit Committee drawn from amongst its members. The Terms of Reference of the Audit Committee are as follows:-

**A. OBJECTIVES**

1. To support the Board in ensuring that there is a reliable and transparent financial reporting process within the financial institution.
2. To assist the Board in its oversight of the adequacy and effectiveness of the internal control environment and oversee the compliance with the relevant rules and regulations.
3. To assess and supervise the quality of audits conducted by the Internal and External Auditors.

**B. MEMBERSHIP**

***I* COMPOSITION**

1. The Audit Committee shall be appointed by the Board and shall comprise at least three (3) members of whom a majority shall be independent directors.
2. If for any reason the number of members at any point in time is reduced to below three, the Board shall fill the vacancies within three months.
3. The Board, on recommendation of the Nomination Committee, shall elect a Chairman from among the members, who shall be an independent director.

***II* QUALIFICATION**

1. At least one member of the Audit Committee:-
  - i. must be a member of the Malaysian Institute of Accountants; or

<b>TERMS OF REFERENCE: AUDIT COMMITTEE</b>	<b>Revision: 02</b>
	<b>Effective Date: November 28, 2019</b>

- ii. if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:
  - a. he must have passed the examinations specified in Part I of the 1<sup>st</sup> Schedule of the Accountants Act 1967; or
  - b. he must be a member of one of the associations of accountants specified in Part II of the 1<sup>st</sup> Schedule of the Accountants Act 1967.

### **III INDEPENDENCE OF MEMBERS**

- 1. No member of the Audit Committee shall be employed in an executive position in the MNRB Group or its related corporations or otherwise have a relationship which in the opinion of the Board will interfere with the exercise of independent judgment in carrying out the functions of the Audit Committee.
- 2. Members of the Audit Committee shall not be directly responsible for, or part of any committee involved in, the management functions of the MNRB Group.

### **IV TERM OF OFFICE**

- 1. Term of office shall be reviewed no less than once every year by the Nomination Committee for subsequent approval by the Board.

### **C. AUTHORITY**

- 1. The Audit Committee shall have the authority to investigate any matter within its Terms of Reference and shall have unlimited access to all information and documents relevant to its activities, to both the Internal and External Auditors, as well as to all employees of the Company.
- 2. The Audit Committee shall be kept regularly updated on audit matters and be notified immediately of any fraud and significant irregularities or internal control deficiencies discovered by Management or the Internal Audit department. Any fraud or irregularities discovered by Management shall be

<b>TERMS OF REFERENCE: AUDIT COMMITTEE</b>	<b>Revision: 02</b>
	<b>Effective Date: November 28, 2019</b>

referred to the Internal Audit Department for investigation.

3. The Audit Committee shall have access to copies of audit reports (including interim financial audits) on a timely basis and shall be kept regularly informed of corrective actions arising from internal and external audit findings.
4. The Audit Committee shall convene meetings with the External Auditors as well as person carrying out the internal audit function or activity or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.
5. The Audit Committee shall have adequate resources to perform its duties and discharge its responsibilities.
6. The Audit Committee shall also have the authority to obtain independent legal or other professional advice, as it considers necessary.

**D. FUNCTIONS, DUTIES AND RESPONSIBILITIES**

**1. INTERNAL AUDIT**

**1.1 GOVERNANCE**

1.1.1 The Audit Committee shall:-

- i) ensure that the internal audit department is distinct and has the appropriate status within the overall organisational structure for the Internal Auditor to effectively accomplish their audit objectives;
- ii) ensure the effective organisation of the internal audit function, with due regard to the professionalism, capacity and competence of the internal audit personnel;
- iii) review and approve the audit plan, audit charter and budget; and

<b>TERMS OF REFERENCE: AUDIT COMMITTEE</b>	<b>Revision: 02</b>
	<b>Effective Date: November 28, 2019</b>

- iv) ensure that reporting relationships of the internal audit staff do not impede the exercise of independent judgement by the Internal Auditors. In particular, internal audit reports should not be subject to the clearance of the Group CEO / Chief Executive Officer or any executive director.

1.1.2 The Audit Committee shall also review the scope of internal audit procedures, in particular:-

- i) any restrictions placed on access by the Internal Auditors to any of the Company's records, assets, personnel or processes which are relevant to the conduct of audits;
- ii) review and approve the audit scope, procedures and frequency of internal audit assessment having regard to the nature, size and complexity of the Company's operation in line with internal auditing standards;
- iii) coordination between Internal and External Auditors; and
- iv) review key audit reports and ensuring that senior management is taking necessary corrective actions in a timely manner to address control weakness, non-compliance with laws, regulatory requirements, policies and other matters identified by the internal audit and other control functions.

1.1.3 The Audit Committee shall note any significant disagreements between the Internal Auditor and Management irrespective of whether they have been resolved in order to identify any impact that this may have on the audit process of findings.

## **1.2 RESOURCES AND STAFFING**

1.2.1 The Audit Committee shall ensure on an ongoing basis that the

<b>TERMS OF REFERENCE: AUDIT COMMITTEE</b>	<b>Revision: 02</b>
	<b>Effective Date: November 28, 2019</b>
<p>internal audit department has adequate and competent resources, with regard to the size and complexity of the Company's operations. In this respect, the Audit Committee shall:-</p> <ul style="list-style-type: none"> <li>i) approve the appointment, remuneration, performance evaluation, removal and redeployment of the Group Chief Internal Auditor ("GCIA") and senior officers of the internal audit department; and</li> <li>ii) be informed of any resignation of the internal audit staff and reasons therefore, and provide resigning staff with an opportunity to submit reasons for their resignations.</li> </ul> <p>1.2.2 The Audit Committee shall ensure that the internal audit staff receives necessary training to perform audit work. In this respect, there should be a programme of continuing education and training to enable the Internal Auditors to keep abreast of business trends and latest developments at both the institution and industry levels, as well as to enhance technical skills required to effectively support the audit function.</p> <p><b>2. <u>EXTERNAL AUDIT</u></b></p> <p><b>2.1 <u>APPOINTMENT OF EXTERNAL AUDITORS</u></b></p> <p>2.1.1 The Audit Committee is responsible to recommend to the Board the appointment, removal and remuneration of the External Auditors.</p> <p>2.1.2 The Audit Committee shall:-</p> <ul style="list-style-type: none"> <li>i) review and assess various relationships between the External Auditors and the Company or any other entity that may impair or appear to impair the External Auditors' judgement or independence in respect of the Company. This may include affiliations resulting from the</li> </ul>	

<b>TERMS OF REFERENCE: AUDIT COMMITTEE</b>	<b>Revision: 02</b>
	<b>Effective Date: November 28, 2019</b>
<p>Company's employment of former employees of the External Auditors in senior positions within the Company;</p> <p>ii) review and assess fees paid to the External Auditors as well as fees paid for non-audit services as a proportion of total fees. The fees paid should not impair or appear to impair the External Auditors' judgement or independence in respect to the Company; and</p> <p>iii) investigate reasons for any request made by Management to dismiss the External Auditors, or any resignation by the External Auditors. The results of the investigation should be disclosed to the full Board together with the Audit Committee's recommendation on proposed actions to be taken.</p> <p><b>2.2 <u>PROVISION OF NON-AUDIT SERVICES BY THE EXTERNAL AUDITORS</u></b></p> <p>2.2.1 Any provision of non-audit services by the Company's External Auditors should be approved by the Audit Committee before the commencement of the service, or whenever there is a significant change in the level of services provided.</p> <p>2.2.2 The Audit Committee's decisions with respect to the provision of non-audit services should be documented in a statement which outlines whether or not it believes the level of provision of non-audit services by the External Auditors is compatible with maintaining auditor independence (together with supporting reasons).</p> <p><b>2.3 <u>AUDIT PLAN, FINDINGS AND RECOMMENDATIONS</u></b></p> <p>2.3.1 The Audit Committee shall review with the External Auditors, the:-</p> <p>i) audit plan prior to the commencement of the annual audit;</p>	

<b>TERMS OF REFERENCE: AUDIT COMMITTEE</b>	<b>Revision: 02</b>
	<b>Effective Date: November 28, 2019</b>

- ii) audit reports, including obligatory reports to BNM on matters covered under Section 72 of the Financial Services Act;
- iii) any significant disagreements between the External Auditors and Management irrespective of whether they have been resolved; and
- iv) any other findings, issues or reservation faced by the External Auditors arising from the interim and financial audits.

2.3.2 The Audit Committee shall review and monitor Management's responsiveness to, and action taken on, external auditors' findings and recommendations. In this regard, the Audit Committee should ensure that all findings and recommendations are resolved effectively in a timely manner.

2.3.3 In order to monitor and assess the effectiveness of External Auditors and for concerns, problems and reservations arising to be expressed, the Audit Committee should meet at least annually with the External Auditors without the presence or Management.

### **3. COMPLIANCE**

3.1 The Audit Committee is responsible to assist the Board in the oversight of the management of compliance risk by:

3.1.1 Reviewing compliance management framework and overseeing its implementation;

3.1.2 Deliberating compliance issues regularly and ensuring such issues are resolved effectively and expeditiously;

3.1.3 Reviewing effectiveness of the Company's overall management



<b>TERMS OF REFERENCE: AUDIT COMMITTEE</b>	<b>Revision: 02</b>
	<b>Effective Date: November 28, 2019</b>
<p>of compliance risk, having regard to the assessment of senior management and internal audit and interactions with the Chief Compliance Officer / Head of Compliance; and</p> <p>3.1.4 Updating the Board on all compliance matters, including providing its view on 3.1.1 to 3.1.3 above.</p> <p><b>4. <u>OTHER RESPONSIBILITIES</u></b></p> <p>4.1 The Audit Committee shall also:-</p> <p>i) ensure, before the approval by the board of directors, that the Company's quarterly results and year-end financial statements are prepared in a timely and accurate manner for regulatory, management and general reporting purposes. In this respect, the Committee's review will focus on:-</p> <ul style="list-style-type: none"> <li>• changes in or implementation of major accounting policy changes;</li> <li>• 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</li> <li>• compliance with accounting standards and other legal requirements.</li> </ul> <p>ii) ensure that the Company complies with Section 66 of the Financial Services Act which requires an institution to publish its financial statements from time to time subject to any standards as may be specified by BNM;</p> <p>iii) review:-</p> <ul style="list-style-type: none"> <li>• accuracy and adequacy of the chairman's statement in the director report, corporate governance disclosure, interim</li> </ul>	

<b>TERMS OF REFERENCE: AUDIT COMMITTEE</b>	<b>Revision: 02</b>
	<b>Effective Date: November 28, 2019</b>
<p>financial reports and preliminary announcements in relation to the preparation of financial statements; and</p> <ul style="list-style-type: none"> <li>• all representation letters signed by Management, and be satisfied that the information provided is complete and appropriate;</li> </ul> <p>iv) review any related-party transactions and conflicts of interest situations that may arise within the Company including any transaction, procedure or conduct that raises questions of management integrity;</p> <p>v) review the allocation of options pursuant to the Company's Employees' Share Option Scheme; and</p> <p>vi) ensure that supervisory issues raised by BNM are resolved in a timely manner.</p> <p>4.2 The Audit Committee shall also be responsible for any other functions as may be determined by the Board and reflected in its Terms of Reference.</p> <p><b>E. <u>MEETINGS</u></b></p> <ol style="list-style-type: none"> <li>1. The Audit Committee shall hold at least four (4) regular meetings per year to effectively fulfill its duties.</li> <li>2. The Chairman of the Audit Committee shall call for a meeting of the Audit Committee if requested to do so by any committee member, Management, Internal and External Auditors.</li> <li>3. The Chairman may invite any person to be in attendance to assist it in its deliberations.</li> <li>4. A quorum shall consist of at least two-thirds of the members with independent directors forming the majority.</li> </ol>	

<b>TERMS OF REFERENCE: AUDIT COMMITTEE</b>	<b>Revision: 02</b>
	<b>Effective Date: November 28, 2019</b>

5. The Company Secretary shall act as Secretary of the Audit Committee and shall be responsible for drawing up the agenda with the concurrence of the Chairman and circulating it, supported by explanatory documentation, to Audit Committee members within a reasonable timeframe prior to each meeting.
6. The Secretary should also be responsible for keeping the minutes of meetings of the Audit Committee, their timely circulation to Audit Committee members and other members of the Board, and following up on outstanding matters in relation to the meetings.
7. The Chairman of the Audit Committee shall provide written reports to the Board on the deliberations of the Audit Committee on a regular basis. In addition, the Chairman should also present a summary of all significant matters (highlighting risks and implications) and resolutions made by the Audit Committee at Board meetings.

**Dated: November 28, 2019**