

MESB BERHAD

199501008356 (337554-D)

(Incorporated in Malaysia)

**TERMS OF REFERENCE OF THE AUDIT AND RISK MANAGEMENT
COMMITTEE**

1. COMPOSITION

- i. The Audit and Risk Management Committee (“ARMC” or “Committee”) of MESB Berhad (“MESB” or “the Company”) shall be appointed by the Board of Directors of the Company (“Board”) from among its members and shall comprise no fewer than three (3) members whereby all members must be Non-Executive Directors and financially literate with a majority of them being Independent and Non-Executive Directors, and at least one (1) member of the Committee:-
 - a. must be a member of the Malaysian Institute of Accountants; or
 - b. if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years’ working experience and:-
 - he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
 - c. fulfils such other requirements as prescribed or approved by the Bursa Malaysia Securities Berhad.
- ii. No alternate Director shall be appointed as a member of the Committee.
- iii. The Committee shall elect a Chairman from among its members who shall be an Independent Director.
- iv. The former partner of the external audit firm of the Company, if any, shall observe a cooling-off period of at least three (3) years before being eligible to be appointed as a member of the Committee.
- v. In the event, the elected Chairman is not able to attend a meeting, the remaining members present shall elect one of themselves as Chairman for the meeting. The elected Chairman shall be an Independent Director.
- vi. In the event of any vacancy in an ARMC member resulting in the non-compliance with paragraph 1(i) above, the Board shall fill the vacancy within three (3) months.
- vii. The Nomination and Remuneration Committee shall review the term of office and performance of the Committee and each of its members annually to determine whether

the ARMC and its members have carried out their duties in accordance with the Terms of Reference.

2. MEETINGS

i. Frequency of meetings

- a. Meetings shall be held no fewer than four (4) times a year. However, additional meetings may be called at any time depending on the scope of activities of the Committee. In the event issues requiring the Committee's decision arise between meetings, such issues may be resolved through written resolutions of the Committee. Such written resolution in writing shall be valid and effectual if it is signed or approved by letter, facsimile or any electronic means by a majority of the members of the Committee.
- b. Other Board members, senior management, internal and external auditors may be invited to attend meetings.
- c. Prior notice shall be given for all meetings.

ii. Quorum

The quorum for the meeting is two (2) members of the Committee, a majority of members present must be Independent and Non-Executive Directors.

iii. Secretary

The Company Secretary shall be the secretary of the Committee. The Secretary shall circulate the notice and minutes of the Committee to all members of the Committee.

iv. Minutes of the Committee Meeting

Every meeting of the Committee must be recorded either by the Company Secretary or any other person approved by the Committee to take minutes and such minutes must be signed by the Chairman of the Meeting as evidence that the meeting was duly convened and held.

3. FUNCTIONS

The functions of the Committee are as follows:-

External Auditors

- i. To consider any matters concerning the appointment and re-appointment, the audit fee and any questions of resignation or dismissal of external auditors and further ensure the suitability, objectivity and independence of external auditors.
- ii. To review with the external auditors:
 - their audit plan, scope and nature of the audit of the Company and its subsidiaries (“Group”);
 - their evaluation and findings of the system of internal controls;
 - their audit reports;
 - the management letter and management’s response with regard to problems and reservations arising from their audits; and
 - any other matters that the external auditors may wish to discuss (in the absence of management where necessary).
- iii. To review the assistance given by the management and employees of the Group to the external auditors.
- iv. To review any letter of resignation from the external auditors of the Company.
- v. To review whether there is reason (supported by grounds) to believe that the Company’s external auditors are not suitable for re-appointment.
- vi. To recommend the nomination of a person or persons as external auditors.

Internal Audit Function

- i. To review and assess the adequacy of the scope, functions, competency and resources of the internal audit functions of which the internal auditors should report directly to the Committee. The internal auditors must be an independent and objective assurance and, must have the relevant qualification and be responsible for providing assurance to the Committee that the internal controls is operating effectively.
- ii. To review the internal audit plan, processes, the results of internal audit assessments, investigations undertaken and, whether or not appropriate action is taken before recommendations are made.
- iii. To review the adequacy and effectiveness of the Group’s internal control systems, Risk Management framework, anti-corruption and whistle-blowing as evaluated, identified and reported by the Management, internal or external auditors as well as to review whether actions taken to ratify the same are appropriate or timely.

Financial Reporting

- i. To review the quarterly and year-end financial statements of the Group before the approval by the Board of Directors, focusing particularly on:-
 - any changes in or implementation of major accounting policy changes;
 - significant matters highlighted including financial reporting issues, significant judgement made by management, significant unusual events or transactions and, how these matters are addressed; and
 - compliance with accounting standards and other legal requirements.

Risk Management

- i. Assisting the Board to effectively discharge its risk oversight responsibilities by monitoring and overseeing the Group's risk management and processes in identifying, evaluating, monitoring and managing significant risks within the Group.
- ii. Reviewing the risk profiles in respective business units and the Group.
- iii. Identifying the key risks faced by the Group and respective business units and major changes and the management action plans to manage the risks.
- iv. Reviewing and assessing the adequacy and effectiveness of the systems of internal control and accounting control procedures and appropriate systems in place to manage and mitigate risks.

Compliance and Other Matters

- i. To verify the allocation of options under a share issuance scheme or the allocation of shares pursuant to any incentive plan for employees of the Group at the end of each financial year as being in compliance with the criteria which are disclosed to the employees.
- ii. To review the annual evaluation on the performance of the internal and external auditors, in respect of each financial year under review, to monitor the performance, suitability, objectivity and independence of the internal and external auditors.
- iii. To review any related party transactions and conflicts of interest situations that arose, persist or may arise within the Company or the Group, including any transactions, procedures or course of conduct that raise doubts about the management integrity or due care, and the measures taken to resolve, eliminate or mitigate such conflicts.
- iv. To undertake such other reviews and projects as may be requested by the Board of Directors, and report to the Board of Directors its findings from time to time on matters
- v. To carry out such other functions or assignments as may be delegated by the Board from time to time.

4. RIGHTS OF THE COMMITTEE

The Committee is authorised by the Board to investigate any activity within its term of reference at the cost of the Company. The Committee shall have the following rights:-

- i. To secure full and unrestricted access to any information pertaining to the Group;
- ii. To communicate directly with the external and internal auditors and all employees of the Group;
- iii. To seek and obtain independent professional advice and to secure the attendance of outsiders with relevant experience and expertise as it considers necessary; and
- iv. To convene meetings with the external and internal auditors or both excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

5. COMMUNICATION TO THE BOARD

- i. The minutes of each Committee meeting shall be tabled to the Board for notation.
- ii. The Committee may from time to time submit to the Board its recommendation on matters within its purview for the Board's decision.
- iii. Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”), the Committee must promptly report such matter to Bursa Securities.

6. GENERAL MEETINGS

The Chairman of the Committee should attend the general meetings to answer to questions relating to the Committee’s activities.