



**MELEWAR INDUSTRIAL GROUP BERHAD**

(Company No. 8444-W)  
(Incorporated in Malaysia under the Companies Act, 1965)

**TERMS OF REFERENCE OF THE AUDIT AND GOVERNANCE COMMITTEE**

**Revised on 27 November 2018**

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**1. COMPOSITION**

- 1.1 The members of the Audit and Governance Committee (“AGC”) shall be appointed from among the Directors of the Company and composed of no fewer than three (3) Directors of whom all must be Non-Executive Directors, with majority of them being Independent Directors.
- 1.2 All members of the AGC should be financially literate and are able to understand matters under the purview of the AGC including the financial reporting process. At least one (1) member of the AGC :
- (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 of experience and :
    - i. he must have passed the examinations specified in Part 1 of the 1<sup>st</sup> Schedule of the Accountants Act 1967; or
    - ii. 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; or
  - (c) fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad (“Bursa Malaysia”).
- 1.3 If a member of the AGC ceases to be a member with the result that the number of members is reduced below three, the Board shall, within three (3) months, appoint such number of new member(s) as may be required to make up the minimum number of three (3) members, the majority of whom must be independent directors.

- 1.4 The members of the AGC shall elect a Chairman from among their numbers who shall be an Independent Non-Executive Director.
- 1.5 No Alternate Director is to be appointed as a member of the AGC; and
- 1.6 The review of the terms of office and performance of the AGC and each of its members shall be carried out by the Nomination and Remuneration Committee on annual basis to determine whether the AGC and its members have carried out their duties in accordance with their terms of reference. The review of the performance is then to be tabled to the Board of Directors for their attention and further action, if and where necessary.

## **2. QUORUM AND PROCEDURE**

- 2.1 The AGC meetings shall be conducted at least four (4) times annually, or more frequently as circumstances dictate. The Managing Director (“MD”) and Chief Financial Officer (“CFO”) should normally attend meetings. Other Board members, employees, a representative of the External Auditors and external independent professional advisers may attend meetings upon the invitation of the AGC. However, the Committee should meet with the External Auditors without Executive Board members present at least twice a year.
- 2.2 The quorum for any meeting of the AGC shall consist of not less than two (2) members; the majority of the members present shall be Independent Directors.
- 2.3 In the absence of the Chairman, the AGC shall appoint one of the independent members present to chair the meeting.
- 2.4 The Secretary of the Company shall also be the Secretary of the AGC. The Secretary shall be responsible for drawing up the agenda in consultation with the Chairperson and shall be responsible for keeping the minutes of the meeting of the AGC, circulating them to Committee members and ensuring compliance with regulatory requirements. The agenda together with relevant explanatory papers and documents are circulated to the Committee members.
- 2.5 The Chairman of the AGC shall report on each meeting to the Board.
- 2.6 Minutes of each meeting shall be kept and distributed to each member of the AGC and the Board.

### **3. AUTHORITY**

- 3.1 The AGC shall, in accordance with a procedure to be determined by the Board of Directors and at the expense of the Company:
- (a) have explicit authority to investigate any matters within its terms of reference. All employees shall be directed to cooperate as requested by members of the AGC;
  - (b) have full and unrestricted access to any information and resources which are required to perform its duties;
  - (c) be able to obtain, if it considers necessary, external independent professional advice;
  - (d) be able to invite outsiders with relevant experience to attend meeting if necessary;
  - (e) be able to convene meetings with the External Auditors, Internal Auditors or both, excluding the attendance of other Directors and employees, whenever deemed necessary;
  - (f) have direct communication channels with the External Auditors and Internal Auditors;
  - (g) be able to make prompt reports to Bursa Malaysia when the AGC is of the view that a matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of listing requirements.
- 3.2 The terms and reference of the AGC shall not limit in any way the responsibilities and authorities of the MD to institute or instruct internal audits and reviews to be undertaken from time to time. Full report must be made to the AGC upon completion of such reviews.

### **4. DUTIES AND RESPONSIBILITIES**

- 4.1 The Chairman of the AGC should engage on a continuous basis with Senior Management, such as the Chairman, MD, CFO, Internal Auditors and the External Auditors in order to be kept informed of matters affecting the Company.
- 4.2 In discharging its duties and responsibilities, the AGC shall perform and where appropriate, report to the Board of Directors on the following :
- (a) Financial reporting
    - i. To review the quarterly and year-end financial statements of the Board, focusing particularly on :
      - Any change in accounting policies and practices;

- Significant adjustments arising from the audit;
  - Significant matters highlighted including financial reporting issues, significant judgements made by Management, significant and unusual events or transactions and how these matters are addressed;
  - The going concern assumption; and
  - Compliance with accounting standards and other legal requirements.
- ii. Review and ensure corporate disclosure policies and procedures of the Group comply with the disclosure requirements as set in the Listing Requirements of Bursa Securities, the Malaysian Code on Corporate Governance and other regulatory requirement that may be announced from time to time, where applicable.

(b) External audit

- i. To recommend and consider the nomination/appointment of the External Auditor, the audit fee and any question of resignation or dismissal;
- ii. To discuss with the External Auditor before the audit commences, the nature and scope of audit, and ensure co-ordination where more than one audit firm is involved;
- iii. To monitor provision of non-audit services by External Auditors;
- iv. To review the External Auditors' management letter and management's response;
- v. To discuss problems and reservations arising from the interim and final audits, and any matter the External Auditor may wish to discuss (in the absence of management where necessary);
- vi. whether there is reason (supported by grounds) to believe that the External Auditor is not suitable for re-appointment;
- vii. The assistance given by the employees of the Company to the External Auditor;
- viii. To obtain 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.

(c) Internal audit

- i. To do the following, in relation to Internal Audit Function :
  - Review the adequacy of the scope, functions competency and resources, and that it has the necessary authority to carry out its work;
  - Review the internal audit program and results of the internal audit assessments and processes and, where necessary, ensure that appropriate actions are taken on the recommendations;
  - To cause reviews to be made of the extent of compliance with established internal policies, standards, plans and procedures, where necessary;
  - To recommend to the Board steps to improve the systems of internal control derived from the findings of the Internal Auditor and External Auditor and from the consultations of the AGC itself.

(d) Related Party Transaction

- i. To consider any related-party transactions and conflict of interests situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;

(e) Other Functions

- i. To consider the major findings of internal investigations and Management's response;
- ii. To observe a cooling-off period of at least two (2) years for the appointment of a former key audit partner as a member of AGC;
- iii. To review the Board's statements on compliance with the Malaysian Code of Corporate Governance for inclusion in the annual report;
- iv. To ensure the proper administration of the Group's Whistleblowing Policy; and
- v. To consider other topics as defined by the Board.