



MELEWAR INDUSTRIAL GROUP BERHAD

(Reg. No.: 196901000102 (8444-W))

(Incorporated in Malaysia under the Companies Act, 1965)

TERMS OF REFERENCE OF THE AUDIT AND GOVERNANCE COMMITTEE (“AGC”)

1. MEMBERSHIP AND COMPOSITION

- 1.1 The AGC shall be appointed from among the Directors of the Company and approved by the Board (on the recommendation of the Nomination and Remuneration Committee (“NRC”)) and shall consist of not less than three (3) members of whom all must be Non-Executive Directors of which the majority of them must consist of Independent Directors.
- Cross Reference :
Practice 1.4 of the MCCG,
the Chairman of the Board
should not be a member
of the AGC*
- 1.2 All members of the AGC should be expected to be financially literate and have sufficient understanding of the company’s business 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:
- Cross Reference:
(i) Guidance 9.5 of the
MCCG 2021 (Principle B
- Effective Audit And
Risk Management)
(ii) Bursa LR 13 -II -
Requisite qualifications
for the signatory and the
said audit Committee
member*
- (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 working experience or at least 3 years’ post-qualification experience in accounting or finance and:
 - (i) he must have passed the examinations specified in Part 1 of the 1st 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 1st Schedule of the Accountants Act 1967; or
 - (iii) a degree/ masters/ doctorate in accounting or finance; or
 - (iv) a member of any professional accountancy organization which has been admitted as a full member of the International Federation of Accountants; or
 - (v) at least 7 years’ experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.

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 of the event, 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.
- Cross reference:
Chapter 15.19 of the LR
(Retirement and resignation)*
- 1.4 The members of the AGC shall elect a Chairperson from among their numbers who shall be an Independent Non-Executive Director of the Company.
- Cross Reference:
Practice 9.1 of the MCCG,
the AGC Chairman
is not the Chairman
of the Board*
- 1.5 No Alternate Director is to be appointed as a member of the AGC.
- Cross reference
Paragraph 15.09(2)
of the MMLR*
- 1.6 The review of the term of office and performance of the AGC and each of its members shall be carried out by the NRC on an 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 of the AGC and each of its members is then to be tabled to the Board of Directors for their attention and further action, if and where necessary.
- 1.7 The AGC is to observe a cooling off period of at least three (3) years for the appointment of a former key audit partner as a member of the AGC.
- Cross reference:
Practice 9.2 of the MCCG*

2. PURPOSE

- 2.1 The AGC is responsible to assist the Board of Directors in:-
- (i) Fulfilling its oversight responsibilities for the financial reporting process, system of internal control and audit process;
 - (ii) Ensuring the adequacy of controls in the processes and procedures undertaken in accordance with applicable laws, rules and regulations, directives and guidelines established by the relevant regulatory bodies; and
 - (iii) Overseeing the implementation and monitoring of the
 - (a) Whistleblowing Policy and Procedures
 - (b) Anti-Corruption / Anti-Fraud Policy
 - (c) Conflict of Interest Policy

*Cross reference:
Whistle Blowing Policy
&
Guidance 11.1 of the MCCG
2021*

for the Group and ensuring effective administration thereof.

3. QUORUM AND PROCEDURE

- 3.1 The AGC meetings shall be conducted at least four (4) times annually, or more frequently as circumstances dictate. The Managing Director (“MD”), Group Chief Executive Officer (“GCEO”), Executive Chairman (“EC”), Chief Financial Officer (“CFO”), Financial Controller, Group Chief Operating Officer (GCOO) and Chief Commercial Officer 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 AGC should meet with the External Auditors without Executive Board members present at least twice a year.
- 3.2 (i) 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.
- (ii) An AGC member shall excuse himself/herself from the meeting during discussions or deliberations of any matter which gives rise to an actual or perceived conflict of interest situation for the member. Where this causes insufficient Directors to make up a quorum, the AGC has the right to appoint another one or more Director(s), who meet the membership criteria.
- 3.3 In the absence of the Chairman, the AGC shall appoint one of the independent members present to chair the meeting.
- 3.4 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 the AGC members and ensuring compliance with regulatory requirements. The agenda together with relevant explanatory papers, minutes of meetings and documents shall be circulated to all the members of the AGC and the Board prior to each meeting.
- 3.5 In the absence of the Chairman, the AGC shall appoint one of the independent members present to chair the meeting.
- 3.6 The Chairman of the AGC shall report on each meeting to the Board.
- 3.7 The decision that gained the majority votes shall be the decision of the AGC. In the event of an equality of votes, the Chairman of the AGC shall be entitled to a second or casting vote.

*Cross reference:
Chapter 15.18 of the Bursa
LR
(Quorum of an audit
committee)*

4. COMMUNICATION TO THE BOARD

- 4.1 The AGC shall prepare a report each year concerning its activities in compliance with these terms of reference to be tabled to the Board and for inclusion in the Group’s Annual Report.
- 4.2 The minutes of each AGC meeting shall be distributed to each member of the AGC and the Board and tabled to the Board for notation.

- 4.3 The AGC may from time to time submit to the Board its recommendation on matters within its purview, for the Board's decision.
- 4.4 Where the AGC 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, the AGC must promptly report such matter to the Bursa Malaysia Securities Berhad.

5. CIRCULAR RESOLUTION

- 5.1 A resolution in writing signed by a majority of all members shall be valid and effectual as if it had been passed at a meeting of the AGC. All such resolutions shall be described as "Members' Circular Resolutions" and shall be forwarded or otherwise delivered to the Company Secretary without delay and shall be recorded by the Company Secretary in the minutes book. Any such resolution may consist of several documents in the like form, each signed by one (1) or more members. The expressions "in writing" or "signed" include approvals by legible confirmed transmissions by facsimile or other forms of electronic communications.

6. AUTHORITY

- 6.1 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 party to conduct or to assist in conducting any investigation upon the terms of appointment to be approved by the AGC;
 - (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;

(h) Recommend to the Board any appropriate changes to the duties of the AGC.

6.2 The terms and reference of the AGC shall not limit in any way the responsibilities and authorities of the GCEO 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.

7. DUTIES AND RESPONSIBILITIES

7.1 The Chairman of the AGC should engage on a continuous basis with Senior Management, such as the EC, MD, GCOO, GCEO, CFO, Financial Controller, Commercial Division, Internal Auditors and the External Auditors in order to be kept informed of matters affecting the Company.

7.2 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 major 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.

(b) External audit

(i) Review the annual performance assessment, including the suitability, objectivity and independence of the External Auditors which takes into consideration amongst others:

- The competence, audit quality and resource capacity of External Auditors in relation to the audit. The assessment should also consider information presented in the Annual Transparency Report of the audit firm.
- The appropriateness of audit fees to support a quality audit.
- Requirements for non-audit services to be approved by the AGC before they are rendered by the External Auditors.

*Cross reference:
Guidance 9.3 of the MCCG
2021*

- 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, including the By-laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants.
- (ii) Recommend appointment, re-appointment or removal of External Auditors, and their audit fees.
- (iii) Review with the External Auditors on the following and report the same to the Board:
- Audit plan, which comprises audit and non-audit services, and the fees.
 - Nature, extent and scope of non-audit services, i.e. recurring and nonrecurring to ensure that they are not likely to create conflicts of interest, so as to maintain objectivity and independence of external auditors.
 - Audit report.
 - Evaluations of the system of internal controls.
 - Audit approach, including coordination of audit efforts with Internal Auditors, and assistance given by the employees to the External Auditors.
 - External Auditors' management letter and management's response thereto.
 - Any significant audit findings, reservations, difficulties encountered or material weaknesses reported by the External Auditors.
 - Any letter of resignation from the External Auditors or suggestions for their dismissal.
 - Whether there is reason (supported by grounds) to believe that the External Auditor is not suitable for re-appointment.
- (c) Internal audit ("IA")
- (i) Review with the Internal Auditors on the following and report the same to the Board:
- Effectiveness of the Group's internal control systems, which includes amongst others, financial, operational, compliance and information technology security and control.
 - Adequacy of resources for internal control and dealing with problems encountered during the audit process.
 - Adequacy of the scope of work, competency, experience and resources of the IA function and that it has the necessary authority to carry out its role and responsibilities.

*Cross reference:
Guidance 11.1 of the MCCG
2021*

- The IA plan, processes, the results of the IA assessments, investigation undertaken and whether or not appropriate action is taken on the recommendations.
- Conformance with The Institute of Internal Auditors' Definition of Internal Auditing, Code of Ethics and the International Standards for Professional Practice of Internal Auditing.

(ii) Review the appraisal or assessment of the performance of the IA function and performance of the IA Consultants, who is appointed to be responsible for the regular review and/or appraisal of the effectiveness of the risk management, internal control and governance processes within the Group, and submit the outcome of performance assessment of the IA Consultants to the NRC for further decision.

*Cross reference:
Guidance 11.1 of the MCCG
2021*

(iii) Determine the remit of and decide on the budget for the IA function which reports directly to the AGC, to ensure that the IA function is effective and is able to function independently. The IA personnel:

- should be independent of the activities they audit and free from any relationship or conflicts of interest which could impair their objectivity and independence;
- should perform audit with impartiality, proficiency and due professional care

(d) Related Party Transaction and Conflict of Interest

(i) Review any related party transaction and conflict of interest situation that arose, perceived, or may arise within the Group including any transaction, procedure or course of conduct that raises questions of integrity, and the measures taken to resolve, eliminate, or mitigate such conflicts.

Cross reference

- (i) *Related-party Transactions Policy*
- (ii) *Conflict of Interest*
- (iii) *Board Charter Para 6.0*
- (iv) *Chapter 15.12(1)(h), of Bursa LR*

(ii) A summary of any conflict of interest or potential conflict of interest situation reviewed by the AGC pursuant to paragraph d(i), and the measures taken to resolve, eliminate, or mitigate such conflicts.

Cross reference

- (i) *COI Policy - Disclosure Chapter 15.15(3)(f) of Bursa LR*

(iii) The Board requires all Directors to submit a Disclosure of Interest to avoid any conflict between their personal interests and the interests of the Company. In the event of a conflict, either perceived or actual, this Disclosure of Interest shall be submitted to the Chairman of AGC with a copy to the Company Secretary.

COI Policy - Disclosure

(iv) The AGC is required to disclose a summary of any COI or potential COI situation within the Company or the Group in its Audit and Governance Committee Report.

Cross reference

- Chapter 15.15(3)(f) of Bursa LR*

(e) Risk Management

- (i) Oversee the implementation and monitoring of the Anti-Corruption/Anti-Fraud Policy as required by the Main Market Listing Requirements of Bursa Securities and the Guidelines on Adequate Procedures issued in relation to Section 17A(5) of the Malaysian Anti-Corruption Commission Act, 2009 (Amendment 2018) for the MIG Group.
- (ii) Maintain and keep under review the Whistleblowing mechanism of the Group which shall be in accordance with the Whistleblowing Policy, as well as an effective and efficient set of investigation procedures, which aims to provide protection and confidentiality.

(f) Other Functions

- (i) To consider the major findings of internal investigations and Management's response;
- (ii) To review the Board's statements on compliance with the Malaysian Code of Corporate Governance for inclusion in the annual report;
- (iii) Exercise its powers and carry out its responsibilities as may be required from time to time under the Whistleblower Policy and Procedures, Anti-Corruption/Anti-Fraud Policy and Conflict of Interest Policy for the Group;
- (iv) 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.
- (v) The findings of any examination, assessment or audit by regulators;
- (vi) Assess processes and procedures to ensure compliance with all laws, rules and regulations, directives and guidelines established by the relevant regulatory bodies;
- (vii) Report to the Board of Directors any suspected frauds or irregularities, serious internal control deficiencies or suspected infringement of laws, rules and regulations which come to its attention and are of sufficient importance to warrant the attention of the Board; and
- (viii) Carry out any other function that may be mutually agreed upon by the AGC and the Board.

*Cross reference:
Guidance 9.5 of the MCGG
2021*

8. REPORT TO THE BOARD OF DIRECTORS

- (i) The AGC is not a decision making body and shall report its recommendation to the full Board for decision.

- (ii) The Committee shall recommend any changes to its terms of reference in such manner as it deems appropriate to the Board for approval. The terms of reference shall be assessed, reviewed and updated where necessary i.e. when there are changes to the Malaysian Code on Corporate Governance, Bursa Securities' Main Market Listing Requirements or any other regulatory requirements. It should also be reviewed and updated when there are changes to the direction or strategies of the Group that may affect the Committee's role.