



MSM MALAYSIA HOLDINGS BERHAD
Audit, Governance and Risk Committee
Terms of Reference

A handwritten signature in black ink, appearing to read 'M. S. M.', is written over a horizontal line.

Chairman, MSM Board of Directors

Approved By : MSM Board of Directors

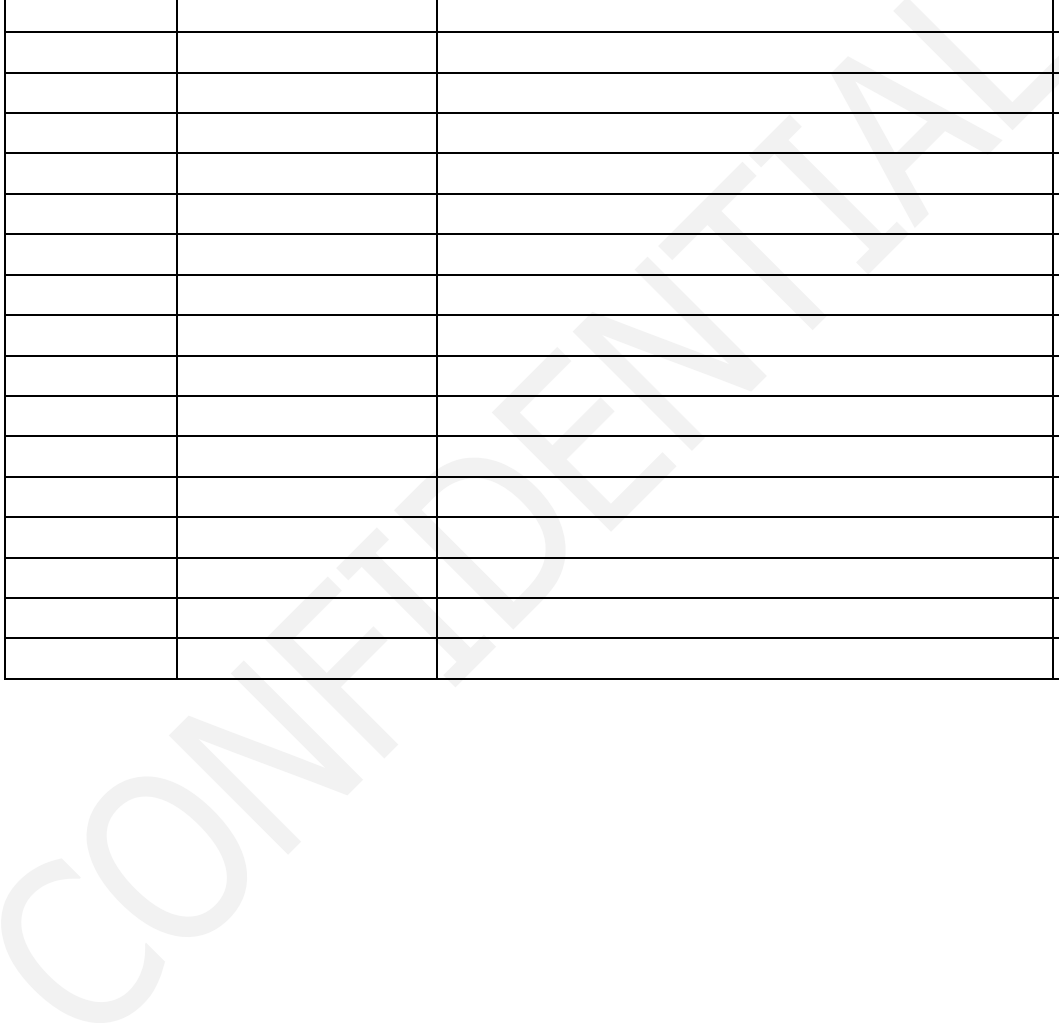
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**AUDIT, GOVERNANCE AND
RISK COMMITTEE
TERMS OF REFERENCE**

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1.0 INTRODUCTION

1.1. This Audit, Governance and Risk Committee Terms of Reference (“TOR” or the “Terms of Reference”) sets out the requirements of the Board of Directors of MSM Malaysia Holdings Berhad for the establishment of an Audit, Governance and Risk Committee, and the delegation of responsibilities to such committee, as at the date hereof.

Paragraph 15.11,
Listing Requirements

1.2. Unless otherwise stated, the following shall apply:

- 1.2.1. “Company” or “MSM” refers to MSM Malaysia Holdings Berhad;
- 1.2.2. “MSM Group” or “the Group” refers to MSM Malaysia Holdings Berhad and its Group of Companies¹;
- 1.2.3. “Board” refers to the Board of Directors of MSM;
- 1.2.4. “AGRC” or the “Committee” refers to the Audit, Governance and Risk Committee of MSM;
- 1.2.5. “FGV” refers to FGV Holdings Berhad; and
- 1.2.6. “Chief Internal Auditor” refers to FGV Chief Internal Auditor.

1.3. In view of the mandatory nature of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (the “Listing Requirements”), the Terms of Reference aims to guide MSM’s AGRC with respect to relevant provisions of the Listing Requirements. In addition, the Terms of Reference also recognizes and aims to adopt related better practices and guidance from the following documents:

- 1.3.1. The Malaysian Code on Corporate Governance 2017 (“the Code” or “MCCG 2017”), which provides Principles, Intended Outcome, Practices and Guidance to Promote Greater Internalisation of Corporate Governance Culture;
- 1.3.2. The Corporate Governance Guide – Moving from Aspiration to Actualisation, 3rd Edition on (“the Guide”) issued by Bursa Malaysia Securities Berhad (“Bursa Malaysia”) in 2017, which seeks to enrich the application and actualisation of Corporate Governance practices by providing practical guidance to listed issuers and cultivate listed issuer’s appreciation on the drivers of sound Corporate Governance;
- 1.3.3. The Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers; and
- 1.3.4. The Sustainability Reporting Guide.

¹ MSM Group refers to include MSM’s operating Subsidiaries, Associates and Jointly-Controlled Entities in which MSM holds a controlling interest, as established under the corporate structure of MSM.

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2.0 PURPOSE

- 2.1. The AGRC TOR is established pursuant to the Listing Requirements and is approved by the Board. Paragraph 15.11,
Listing Requirements
- 2.2. The purpose of the Committee, set up under the Listing Requirements, is to assist the Board in fulfilling its roles and responsibilities in regards to:
- 2.2.1. Overseeing financial reporting;
 - 2.2.2. Evaluating the internal and external audit process and outcome;
 - 2.2.3. Managing risks and assessing the risk management framework and internal control environment;
 - 2.2.4. Reviewing conflict of interest situations and Related Party Transactions (including Recurrent Related Party Transactions);
 - 2.2.5. Enhancing governance, ethics and integrity;
 - 2.2.6. Overseeing sustainable practices;
 - 2.2.7. Undertake any such other functions as may be determined by the Board from time to time.
- 2.3. The Committee shall facilitate the Main Board's statutory and fiduciary responsibility relating to the functions and duties of the Committee.
- 2.4. The existence of the Committee does not diminish the Board's ultimate statutory and fiduciary responsibility for decision-making relating to the functions and duties of the Committee.

3.0 MEMBERSHIP

- 3.1. The Committee members shall be appointed by and from the Board of MSM and shall comprise of not less than three (3) members. Paragraph 15.09(1)(a),
Listing Requirements
- 3.2. All members of the Committee must be Non-Executive Directors and whom must all be Independent Directors free from any business or other relationship that, in the opinion of the Board, would materially interfere with the exercise of his or her independent judgment as a member of the Committee. Paragraph 15.09(1)(b),
Listing Requirements
- 3.3. A former key audit partner must observe a cooling-off period of at least two (2) years before being appointed as a member of the Audit, Governance and Risk Committee. Practice 8.2,
MCCG 2017

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- 3.4. No Alternate Director shall be appointed as a member of the Committee. Paragraph 15.09(2), Listing Requirements
- 3.5. Members of the AGRC may relinquish their membership in the AGRC with prior written notice to Company Secretary and may continue to serve as Directors of the Company.
- 3.6. All members of the AGRC, including Chairman, will hold office only so long as they serve as Directors of the Company.
- 3.7. At least one member of the Committee: Paragraph 15.09(1)(c), Listing Requirements
- 3.7.1. Must be a member of the Malaysian Institute of Accountants; or
- 3.7.2. If he/she is not a member of the Malaysian Institute of Accountants, he/she must have at least three (3) years relevant working experience and:
- i. He/she must have passed the examination specified in Part I of the First Schedule of the Accountants Act 1967; or
- ii. He/she must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
- 3.7.3. Fulfils such other requirements as prescribed by Bursa Malaysia.
- 3.8. Each of the Committee member must:
- 3.8.1. be financially literate;
- 3.8.2. have a reasonable knowledge of the Group's operations and performance;
- 3.8.3. has experience or knowledge pertaining to the subjects of governance and risk management and sustainability including knowledge in related regulation and relevant best practice references/standards; and
- 3.8.4. Dedicate the necessary time and attention to the execution of responsibilities and duties of the Committee
- 3.9. In the event a member of the Committee resigns, dies or for any other reason ceases to be a member, resulting in the above-mentioned Committee membership conditions not being fulfilled, the Board shall within three (3) months of that event appoint any such number of new members as may be necessary to fulfil the requirements. Paragraph 15.19, Listing Requirements

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3.10. Quorum

- 3.10.1. In order to form a quorum for the Committee meeting, at least two (2) of the committee members must be present at the meeting.
- 3.10.2. In the absence of the Chairman of the Committee, the members present shall elect a Chairman for the meeting, from amongst the members present.

Paragraph 15.18,
Listing Requirements

4.0 CHAIRMAN OF THE COMMITTEE

- 4.1. The Chairman of the Committee must be an Independent Non-Executive Director and shall be appointed by the Board.
- 4.2. The Chairman of the Committee is not the Chairman of the Board.

Paragraph 15.10,
Listing Requirements

Practice 8.1,
MCCG 2017

5.0 SECRETARIES OF THE COMMITTEE

- 5.1. The Company Secretary and the Chief Internal Auditor shall be the Secretaries of the Committee.
- 5.2. The Secretaries of the Committee shall be present to record proceedings of the Committee meetings.
- 5.3. The Secretaries of the Committee shall have the following responsibilities:
- 5.3.1. Ensuring meetings are arranged and held accordingly;
- 5.3.2. Assisting the Chairman of the Committee in planning and drafting the Committee's activities for the financial year;
- 5.3.3. Drawing up meeting agenda in consultation with the Chairman of the Committee, and circulate the agenda, together with the relevant papers, at least five (5) business days prior to each of the Committee meeting;
- 5.3.4. Ensuring structured communication (i.e. formal and prompt reporting) between the Board and the Committee;
- 5.3.5. Ensuring proceedings of meetings are minuted and endorsed by the Chairman of the Committee before disseminating them to all Board members; and

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- 5.3.6. Ensuring the Committee's recommendation presented to the Board are supported by explanatory papers, including a report of the Committee or minutes that explains the rationale of the Committee's recommendations.

6.0 AUTHORITY

- 6.1. The Board has authorized the Committee, within the scope of its duties and responsibilities set out in this TOR to:

Paragraph 15.17,
Listing Requirements

- 6.1.1. Perform the activities required to discharge its responsibilities within its terms of reference and make relevant recommendations to the Board;
- 6.1.2. Investigate or instruct investigation of any activity or matter within its Term of Reference;
- 6.1.3. Acquire the resources which are required to perform its duties;
- 6.1.4. Have full and unrestricted access to anyone in the Group in order to conduct any investigation and any information pertaining to the Group;
- 6.1.5. Have full and unrestricted access to information pertaining to the Group, their records, properties and personnel in the Group to obtain any information pertaining to the Group, relevant for its purpose;
- 6.1.6. Maintain direct communication channels with the external auditors, Chief Internal Auditor (or his/her equivalent) and Head of Corporate Governance & Risk Management, as well as the Chairman of the FGV Whistleblowing Committee;
- 6.1.7. Obtain independent professional advice, as deemed necessary, to assist the Committee or any individual member of the Committee in the proper discharge of its roles, responsibilities and duties, at the expense of the Company and in accordance with MSM Limits of Authority ("MSM LoA");
- 6.1.8. Convene meetings with external auditors, internal auditors or both without the presence of other employees of the Group, whenever deemed necessary; and
- 6.1.9. Meet exclusively among itself, whenever deemed necessary.



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- 6.2. The Committee may empower one or more its members to meet or communicate with the external auditors and/or internal auditors independently.
- 6.3. The Committee shall be assisted by the Group CEO, Group COO, CFO, Head of Corporate Governance & Risk Management, Head of Corporate Communications & Sustainability and Chief Internal Auditor to drive good governance, sound risk management and sustainability best practices and culture in MSM Group.

7.0 RESPONSIBILITIES AND DUTIES

7.1. The key responsibilities of the Committee are as follows:

7.1.1. Oversee financial reporting

- i. Review the quarterly results and the year-end financial statements of the Group prior to approval by the Board, focusing particularly on;
 - a. Changes in or implementation of major accounting policies;
 - b. Significant and unusual events and adjustments; and
 - c. Compliance with the applicable financial reporting standards and other legal requirements.
- ii. Be vigilant of significant adjustments arising from the external audit and appropriateness of the going concern assumption used in preparation of the financial statements.
- iii. Ensure that the finance function is staffed with personnel with the appropriate skills and experience, and be provided training, authority, adequate resources and infrastructure to support an effective and efficient financial reporting process.

Paragraph 15.12(1)(g),
Listing Requirements

7.1.2. Evaluating the internal and external audit process and outcome.

- i. Review with the external auditors, the following:
 - a. Their audit plan and ensure coordination where more than one audit firm is involved;

Paragraph 15.12(1)(a),
Listing Requirements

Paragraph 15.12(1)(b),
Listing Requirements



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- b. Their evaluation of the system of internal controls and management's responses;
- c. Their audit reports to the Committee; Paragraph 15.12(1)(c), Listing Requirements
- d. Significant audit issues from the interim and final audits, and any matter the Committee may wish to discuss (in the absence of management where necessary); and
- e. Concerns raised by external auditors pertaining to a breach or non-performance of any requirement of any rules or matters that may materially affect the financial position of MSM Group. Section 320(1), Capital Markets and Service Act 2017
- f. The adequacy of assistance given by the Group employees to the external auditor. Paragraph 15.12(1)(d), Listing Requirements
- ii. Review any letter of resignation from the external auditors and report the same to the Board. Paragraph 15.12(1)(i), Listing Requirements
- iii. Review whether there is any reason that the external auditor is not suitable for re-appointment, and make relevant recommendation to the Board. Paragraph 15.12(1)(j), Listing Requirements
- iv. Recommend the nomination of a person or persons as external auditors, including matters relating to the audit fee. Paragraph 15.12(2), Listing Requirements
- v. Ensure the proper policies and procedures are established and to assess the suitability and independence of external auditors, including obtaining written assurance from external auditors confirming they are, and have been, independent throughout the conduct of audit engagement in accordance with the Terms of Reference of all relevant professional and regulatory requirements. Practice 8.3, MCGG 2017
- vi. Set a policy on non-audit services which may be provided by the external auditors, including conditions and procedures which must be adhered to by the external auditors in the provision of such services.
- vii. Review the engagement of non-audit services by the external auditors to ensure that their independence is maintained. Practice 8.3, MCGG 2017

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- viii. In relation to the Group's internal audit function, to undertake the following:
- a. Ensure that the internal audit function is effective and able to function independently;

Paragraph 15.27(1), Listing Requirements
Practice 10.1, MCGG 2017
 - b. Review the adequacy of the scope of work, functions, competency and resources of the Group's internal audit function, including its budget allocation, and that it has the necessary authority to carry out its work, and report or make relevant recommendations to the Board;

Paragraph 15.12(1)(e), Listing Requirements
Practice 10.1 & 10.2, MCGG 2017
 - c. Approve the internal audit plan and review the results of the internal audit plan or investigation undertaken and whether or not appropriate action is taken on the recommendations of the Group's internal audit function, and report or make relevant recommendations to the Board;

Paragraph 15.12(1)(f), Listing Requirements
 - d. Review the effectiveness of the Group's internal audit function including compliance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing and make recommendations necessary for the improvement of the internal audit function;

Practice 10.1 & 10.2, MCGG 2017
 - e. Review any appraisal of or assessment of the performance (performance evaluation) of the Group's internal function;

Practice 10.1, MCGG 2017
 - f. Appraise the performance of the Chief Internal Auditor and provide the appraisal to FGV.

Paragraph 15.12(1)(h), Listing Requirements

7.1.3. Managing risks and assessing the risk management framework and internal control environment

- i. Direct and oversee establishment of the Group's overall enterprise risk management framework and policies, including the following and bringing the same to the Board for its approval:
 - Advise and recommend on the overall risk appetite, level of risk tolerance and strategy on managing business risks; and
 - Monitor and provide necessary guidance on identification, assessment and mitigation of key business risks and effectiveness of its mitigation, according to the Board's risk appetite;

Practice 9.0 MCGG 2017

Practice 9.1, MCGG 2017



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- ii. Review the adequacy and effectiveness of the Group's overall enterprise risk management framework and internal control framework comprising the governance and internal controls put in place through strategies, policies and systems. This may be based on the results of the external and internal audits and assurances from respective responsible persons; and
- iii. Report to the Board at least annually, the effectiveness and results of review of the Group's risk management framework and internal control framework.

Practice 9.1, MCGG
2017

Practice 9.2, MCGG
2017

7.1.4. Reviewing conflict of interest situations and Related Party Transactions (including Recurrent Related Party Transactions)

- i. Review any conflict of interest situation and related party transaction that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity.
- ii. In respect of related party transaction, including recurrent related party transactions to:
 - a. Ensure that the Group has adequate procedures and processes to identify, and where relevant, monitor and track related party transactions in a timely manner, and to review these procedures and processes annually;
 - b. Assess the sufficiency of the procedures, policies and terms of the related party transactions to ensure that the transactions are fair, reasonable and on normal commercial terms are not more favourable to the related party than those generally available to the public and are not detrimental to minority shareholders and in the best interest of the Group; and
 - c. Where the related party transactions are not comparable to quotations or comparative pricing with unrelated third parties, to review the basis of the transaction price determined by the management in comparison to transactions by/to unrelated parties for substantially similar type transaction for approval by the Board.



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- iii. Review the disposal and write-off of assets relating to transactions with related party companies or external parties with percentage ratio and limits as set out in MSM LoA.
- iv. Review account receivables write-off of customers who are related parties against percentage ratios and limits as set out in MSM LoA.
- v. Related party transactions and conflict of interest situations shall be a permanent agenda item of the Committee meetings.

7.1.5. Enhancing governance, ethics and integrity

- i. Review and recommend for the Board's approval the governance framework for inculcation of good governance practices across all levels of MSM Group including maintaining up to date the following:
 - a. The Directors' Code of Ethics & Conduct and the Directors' Code of Business Practice which shall be applicable to MSM Board, MSM Board Committees and MSM Subsidiary Boards;
 - b. The Group's Code of Business Conduct and Ethics for employees which shall be applicable to all employees, consultants or business partners of the Group; and
 - c. Integrity & Ethics programmes for the development of a high integrity and ethical MSM community in undertaking all MSM's transactions.
- ii. Review and recommend to the Board any changes to the governance framework arising from any changes of the Group's organisation structure, taking into account the Group's equity structure and the impact to the statutory financial reporting.
- iii. Review reports on the status, availability and completeness of standard operating procedures for all levels of the Group's operations;



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- iv. Direct and oversee the formulation of mechanisms, policies and programmes to ensure complete implementation of the Group's governance framework and to make recommendations for the Board's approval;
- v. Review arrangements by which employees may, in confidence, raise concern about possible improprieties in financial reporting or other matters, and to ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action to be taken. This includes the whistle-blowing framework, Whistle-blowing Policy, Whistle-blowing Procedures and any whistle-blowing complaints and investigative reports received from the FGV Whistleblowing Committee; and
- vi. Ensure proper and timely action are taken on whistleblowing complaints received and proper closure of all related matters including improving the internal controls systems where there are shortcomings identified.

7.1.6. Overseeing sustainable practices

- i. Direct and oversee the formulation of the Group's overall sustainability framework and policies which are aligned with related regulation and standards;
- ii. Monitor the implementation of the Group's approved overall sustainability framework and policies; and
- iii. Review any information to be publicly issued by the Group on the Group's sustainability matters/practices having major financial and/or reputational impact to the Group.

7.1.7. Other responsibilities and duties

- i. Where the AGRC is of the view that a matter reported by it to the Board of MSM has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the Committee must promptly report such matter to Bursa Malaysia.
- ii. Review any reporting of matters to the shareholders and/or relevant authorities and other statements which are mandated by Bursa Malaysia relating to the Group's strategy, financials and performance and recommend to the Board for approval.

Paragraph 15.16,
Listing Requirements

Paragraph 15.15,
Listing Requirements

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- iii. Review the relevant statements for inclusion in the Company's Annual Report, including the AGRC Committee Report, Statement on Risk Management and Internal Control, the Corporate Governance Overview Statement, the Corporate Governance Report, the Sustainability Statement and other statements which are mandated by Bursa Malaysia or related to governance, risk management and sustainability and recommends to the Board for approval.
- iv. Undertake such other functions as may be determined by the Board from time to time.

8.0 REPORTING

- 8.1. The Committee shall regularly update the Board of its activities through an AGRC Report to the Board every quarterly and make appropriate recommendations including through:
 - 8.1.1. The Chairman of the Committee drawing the Board's attention to any matter of major importance; and
 - 8.1.2. Copies of minutes of each meeting of the Committee supported by explanatory papers circulated to all Board members once endorsed by the Chairman of the Committee.

9.0 MEETINGS ADMINISTRATION

- 9.1. Frequency and attendance
 - 9.1.1. The Committee meetings shall be conducted at least four (4) times annually or more frequently as circumstances dictate.
 - 9.1.2. The Chairman of the Committee, in consultation with the Secretaries of the Committee, shall determine the frequency of the Committee meeting and discuss the schedule of meetings with members of the Committee.
 - 9.1.3. In addition to the regular scheduled meeting, the Chairman of the Committee shall call a meeting of the Committee if so requested by any member of the Committee or by the Chairman of the Board.



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- 9.1.4. The Committee meeting shall normally be conducted in a face-to-face manner to enable effective discussion. Nevertheless, if a member of the Committee is unable to be physically present, the member may choose to participate via video-conferencing or teleconferencing, or other appropriate means as determined by the Committee.

Resolution of the members of the Committee at a meeting or adjourned meeting of the Committee shall be adopted by a majority of votes of all members present.

- 9.1.5. The Group CEO, Chief Operating Officer, Chief Financial Officer, Head of Corporate Governance & Risk Management, Head of Corporate Communication & Sustainability and FGV Chief Internal Auditor may attend the meetings upon the invitation of the Committee. Participation from the Group CEO, Chief Operating Officer and Chief Financial Officer, Head of Corporate Governance & Risk Management, Head of Corporate Communication & Sustainability and FGV Chief Internal Auditor may not be required for the full duration of the meeting.
- 9.1.6. The Committee may also invite any of the Senior Executives of the subsidiaries to attend its meetings to provide any clarification on matters related to the subsidiaries.
- 9.1.7. Other members of the Board or Management or any other employee may be invited to the meeting for a specific agenda or clarification on matters for discussion.
- 9.1.8. The Committee shall meet with the external or internal auditors without executive board members and management present at least twice a year.
- 9.1.9. Any of the Committee member or invited participant, with conflicting interest shall abstain from the said discussion and must not be physically present during the discussion. The member of the Committee and/or invited participant, shall abstain and 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(s) for him/her. The conflicted members shall not be included in the voting process.
- 9.1.10. The Chairman of the Committee shall exercise the right to request those who are in attendance to leave the room if matters discussed are confidential or the deliberation may be impaired due to the presence of individuals concerned.

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9.1.11. In the event matters requiring the Committee's decision arise between meetings, such matters shall be resolved through Circular Resolution which shall be supported by relevant papers setting out details of the subject matters. The members of the Committee may obtain more information from Management and express their view points by facsimile, electronic mail or other means of telecommunication before arriving at a decision on the subject matter. All such resolutions shall be signed by all the members of the Committee following the passing of the Circular Resolutions.

9.2. Notice and agenda

9.2.1. Proper notice shall be issued for any of the Committee meetings, and the Chairman of the Committee shall ensure that a proper agenda is prepared for the Committee meeting.

9.2.2. The agenda and relevant papers for the Committee meeting must be issued at least five (5) business days prior to each of the Committee meeting.

Practice 1.5,
MCCG 2017

9.3. Minutes of the meeting

9.3.1. The discussion and conclusions of the Committee meetings shall be minuted, in a clear, accurate (reflect the deliberations and decisions), consistent, complete and timely manner.

Practice 1.5,
MCCG 2017

9.3.2. The minutes shall be entered into the minutes Register kept by the Company Secretary together with the attendance sheet.

9.3.3. Keeping of the minutes must comply with the requirements of the relevant laws and regulations, e.g. Companies Act, 2016 and Income Tax Act 1967.

9.3.4. Reproduction of any part of the minutes can only be performed through/by the Company Secretary.

10.0 COMMITTEE'S PERFORMANCE

10.1. On an annual basis, the Board shall evaluate the Committee's performance and the extent to which the Committee has met the requirements of its Terms of Reference, including the terms of office and performance of the Committee and each of its members. This performance assessment may constitute a part of the annual Board Effectiveness Assessment, pertaining to the assessment of Board Committees.

Paragraph 15.08A(3)(c),
Paragraph 15.20
Listing Requirements

Practice 5.1,
MCCG 2017

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11.0 COMMITTEE'S ETHICS AND PROCEDURES

- 11.1. All members of the Committee shall safeguard all internal communications and treat them as strictly private and confidential, and for the use of the Committee members only.
- 11.2. The Committee shall work diligently amongst the members of the Board and adhere to all applicable laws and regulations as well as the prescriptions rendered in the Directors' Code of Ethics & Conduct and the Code of Business Practice.

12.0 REVIEW OF TERMS OF REFERENCE

- 12.1. The Committee's Terms of Reference and work plans shall be reviewed periodically, as and when required especially when there are changes to the Listing Requirements and MCCG 2017, Companies Act, 2016, and Capital Market Services Act, 2007, or at least once (1) every three (3) years. This review shall be facilitated by Company Secretary, Head of Corporate Governance & Risk Management, Chief Financial Officer and Chief Internal Auditor.
- 12.2. All amendments to the Terms of Reference of the Committee must be approved by the Board.

*****End of MSM Audit, Governance and Risk Committee Terms of Reference*****