

Mizuho Bank (Malaysia) Berhad

Company Registration No. 201001039768 (923693-H)

TERMS OF REFERENCE

BOARD AUDIT COMMITTEE

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Control Versions - Approved on 3 March 2011 and previously revised on 19 July 2016, 25 January 2018 and 2 April 2020

TERMS OF REFERENCE OF THE BOARD AUDIT COMMITTEE

1. OVERVIEW

- 1.1 The Board Audit Committee ("**BAC**") of Mizuho Bank (Malaysia) Berhad ("**MBM**") (formerly known as Audit Committee) was established on 3 March 2011. Following its establishment, the Terms of Reference of the BAC ("**BAC TOR**") was formulated to assist the BAC in discharging its duties efficiently

2 MANDATE

- 2.1 Pursuant to Article 104 of the Constitution of MBM, the Board of Directors of MBM ("**Board**") hereby delegates its powers to the BAC as stated herein under this BAC TOR.
- 2.2 This BAC TOR shall be subjected to and read together with the Board Charter and the Terms of Reference of the Board and shall be further governed by the regulatory requirement and minimum standard governing MBM, principally the Companies Act 2016 ("**CA**"), the Financial Services Act 2013 ("**FSA**"), the guidelines/ policies/ circulars issued by Bank Negara Malaysia ("**BNM**") and the Constitution of MBM ("**Constitution**").

3 PRINCIPAL ROLES AND RESPONSIBILITIES

- 3.1 In principal, the BAC provides support to the Board in ensuring that there is a reliable and transparent financial reporting process within MBM and oversee the effectiveness of the Internal Audit function of MBM.
- 3.2 The mandates and the operating procedures herein stated intend to provide a clear delineation of areas of authority delegated by the Board to the BAC and to set a clear definition of reporting arrangements for keeping the Board informed of the BAC's work, key deliberations and decisions on delegated matters.

4 RESERVED MATTERS

Where the laws or the Constitution of MBM require the matter to be tabled, reported, assessed or approved by the Board, the same shall be governed under the Board Reserved Matters. Under the Board Reserved Matters, the Board shall have the sole authority to approve/decide on the matters stated herein. The BAC shall be responsible to review /assess and make recommendation to the Board for approval.

The Reserved Matters governing the BAC are as outlined below and any mandates stated herewith shall not be sub-delegated by the BAC unless otherwise approved by the Board.

4.1 Internal Audit

- (a) To review, assess and/or recommend Internal Audit Charter of MBM including its periodic review.
- (b) To review, assess and/or recommend significant audit reports, Senior Management's corrective actions and other audit matters identified by the Internal Audit Department (IAD).
- (c) To review, assess and/or recommend Internal audit report by IAD on MBM's risk management framework and its implementation, risk monitoring, risk reporting, special-purpose structures (if any), risk reporting systems and operational risk management framework, processes and systems.

- (d) To review, assess and/or recommend internal audit report on the effectiveness and adequacy of MBM's compliance functions including third-party opinions on the design and effectiveness of MBM's internal control framework.
- (e) Together with Board Nominating Committee, review, assess and/or recommend on the appointment (*including salary and benefit package), confirmation, promotion, cessation, the evaluation on qualification and fit and proper criteria, succession plan, annual key performance indicators and annual performance assessment of the Chief Internal Auditor.

** "including salary and benefit package" shall refer to the package offered during the initial appointment. The subsequent salary and benefit package shall be under the joint purview of Board Remuneration Committee.*

- (f) Together with Board Remuneration Committee, review, assess and/or recommend the remuneration including but not limited to salary, benefits, increment and bonus of the Chief Internal Auditor.
- (g) To review, assess and/or approve the mechanism for assessment on the effectiveness of the Internal Audit function and the independence of IAD including the appropriate mechanism to address and managing situations where there is a threat to the objectivity of IAD.
- (h) To review, assess and/or approve the adequacy and appropriateness of resources for the Internal Audit function including Shariah Audit and Internal Technology Audit, the compensation scheme of the Internal Auditors to be consistent with the objectives and the demands of the internal audit function, the qualification, capability and professional competency and the continuing professional development programs of IAD personnel.
- (i) Through Exit Meeting, to review the reasons and circumstances leading to the resignation of the Chief Internal Auditor.
- (j) To establish direct communication channels with the Chief Internal Auditor and IAD including conducting pre-Audit Committee meetings with the Chief Internal Auditor, as and when necessary.

4.2 Shariah Audit

- (a) To review, assess and/or recommend Shariah Audit report detailing the audit findings, recommendations for rectification measures and the auditee's responses and action plans.
- (b) To review, assess and/or recommend any appointment of external party to conduct independent Shariah Audit on the operations, business, affairs and activities of MBM to provide objective assurance on the effectiveness of Shariah governance implementation within MBM.
- (c) Upon consultation with the Shariah Committee, to review, assess and/or approve Shariah audit methodology, Shariah audit programs, Shariah audit plan and deliverables of Shariah Audit function to ensure consistency with the accepted auditing standards.

Shariah Audit refers to a function that provides an independent assessment on the quality and effectiveness of MBM's internal control, risk management systems, governance processes as well as the overall compliance of the MBM's operations, business, affairs and activities with Shariah.

4.3 Internal Technology Audit

- (a) To review, assess and/or recommend Internal Technology Audit report and the corrective actions to address technology control gaps identified by IAD.

- (b) To review, assess and/or approve Technology Audit Plan, audit scope, procedures and frequency of technology audits.

4.4 Internal Controls

- (a) To review, assess and/or recommend yearly report by Senior Management on the scope and performance of MBM's internal control system and capital assessment procedure.
- (b) To review, assess and/or recommend report issued by third-party on the design and effectiveness of MBM's Internal Control Framework
- (c) To review, assess and/or recommend MBM's Whistleblowing policy and any amendment made thereof.
- (d) To review, assess and/or approve Audit Plan including any deferment thereof, audit scope, procedures and frequency.
- (e) To note on significant disagreements between the Chief Internal Auditor and Senior Management team.

4.5 Financial Reporting

- (a) To review, assess and/or recommend release of the quarterly and the annual financial statements focusing on:
 - (i) changes in or implementation of new accounting policies and practices
 - (ii) significant matters highlighted including financial reporting issues, significant judgments made by management, significant or unusual events or transactions, and how these matters are addressed; and
 - (iii) compliance with the applicable approved accounting/auditor reporting standards and other legal and regulatory requirements
- (b) To review, assess and/or recommend any changes in the financial year end, dividend policy and payment of MBM, changes or adoption of the accounting policy, capitalization of the profits and reserve and policy of MBM with regard to the risk management and capital management processes related Internal Capital Adequacy Assessment Process (ICAAP).
- (c) To review, assess and/or recommend any independent internal audit report on the risk management and capital management processes relating to the Internal Capital Adequacy Assessment Process ("ICAAP") to ensure their integrity, objectivity, consistent application and compliance with the relevant guidelines, policy and legislation issued by BNM.
- (d) To review, assess and/or recommend accuracy and adequacy of the Chairman of the Board's statement in the Directors' Report, Corporate Governance Disclosures, Interim Financial Reports and preliminary announcements in relation to the preparation of MBM's Financial Statements.

4.6 External Auditor

- (a) To review, assess and/or recommend the appointment, resignation /removal and remuneration of the External Auditor.
- (b) To foster a quality audit of MBM by exercising oversight over the External Auditor in accordance with expectations set out in the Guideline on External Auditor ("BNM EA") including but not limited, to the following:

- (i) Review the terms of an audit engagement prior to appointment of External Auditor. The agreed terms shall be documented in an audit engagement letter and shall include the requirements as outlined in the BNM EA.
- (ii) Determine the scope of the audit engagement having regard to the relevant standards and guidelines under the BNM EA.
- (iii) Monitor and assess the independence of the External Auditor including by approving the provision of non-audit services by the External Auditor.
- (iv) Monitor and assess the effectiveness of the external audit including direct communication channels with the External Auditors by meeting with the External Auditor without the presence of Senior Management at least annually.
- (v) Maintain regular, timely, open and honest communication with the External Auditor and requiring the External Auditor to report to the BAC on significant matters.
- (vi) Review on Senior Management's corrective actions in a timely manner to address external audit findings and recommendations.
- (vii) Review on prior approval application to be made to BNM for the appointment of an External Auditor for each financial year (no later than two (2) months before the Annual General Meeting at which the resolution to appoint the External Auditor will be tabled).
- (viii) Review on the independence of the External Auditor as statutory auditor of MBM and any compromising circumstances

4.7 Credit Transactions and Exposures with Connected Parties

To review, assess and/or recommend independent internal audit report on credit transactions, administration and management of credit exposures with connected parties conducted by IAD including the report on any material exceptions to the credit exposures to a connected party and compliance with established policies and procedures.

4.8 Related Party Transactions

To review, monitor and update the Board on the compliance of the Board's conflicts of interest policy and any related party / connected party transactions entered into by MBM.

4.9 Anti-Money Laundering and Counter Financing of Terrorism

To review, assess and/or recommend the independent internal audit report on the effectiveness and compliance of MBM's internal Anti-Money Laundering and Anti-Terrorism Financing (AML/CFT) measures.

4.10 Non-Audit Services

To review, assess and/or recommend the appointment, removal and remuneration of the audit firm appointed to conduct non-audit services for MBM.

5 SIZE AND COMPOSITION

- 5.1 The size of the BAC must promote deliberation, encourage the active participation between its members. The BAC shall consist of at least three (3) Directors, majority of which must be Independent Directors. The BAC must not have any Executive Director in its membership.
- 5.2 The BAC Member must have the skills, knowledge and experience relevant to the responsibilities of the BAC. The BAC Member must maintain a sound understanding of the business of MBM as well as relevant market and regulatory developments including a commitment to on-going education.

6 CHAIRMAN

- 6.1 The Board shall appoint the Chairman of the BAC ("BAC Chairman") and the person so appointed must be an Independent Director and must not be the Chairman of the Board.
- 6.2 The BAC Chairman is appointed for a specific tenure with primary regard to his/her skills, expertise and experience relevant to the responsibilities of the BAC. The BAC Chairman is expected to spend sufficient time necessary to fulfil his/her duties. In leading the BAC, the BAC Chairman is responsible for the effective overall functioning of the BAC and is required to fulfil the obligations as stated under S Para 9.1 of BNM CG.
- 6.3 In the absence of the BAC Chairman, the remaining BAC Members present shall elect an Independent Director among themselves to chair the BAC Meeting.

7 SECRETARY

The Company Secretary of MBM shall act as the Secretary of the BAC.

8 FREQUENCY

The BAC Meeting shall be held at least four (4) times each financial year or at any such interval or number of time(s) as the BAC may deem necessary to fulfil the BAC's responsibilities.

9 ATTENDANCE

The BAC Members must devote sufficient time to prepare for and physically attend the BAC Meetings. The BAC Member must attend at least 75% of the BAC meetings held in each financial year.

10 QUORUM

The quorum for the BAC Meeting shall be at least half (50%) of the total number of the BAC Members.

11 NOTICE

- 11.1 The BAC Meeting may be summoned by the Chairman of BAC or by the Secretary on requisition of BAC Member. The BAC shall determine the time and place of the BAC Meeting.
- 11.2 A prior written Notice of Meeting shall be given to each BAC Member, seven (7) days before the date of the BAC Meeting. The Notice of Meeting may be waived subject to the consent of all BAC Members.

12 AGENDA AND PAPERS

- 12.1 The Chief Internal Auditor and/or Internal Audit Department personnel, in consultation with the BAC Chairman, shall draw up the BAC Meeting Agenda (together with the associated material) for circulation to each BAC Member, seven (7) days before the date of the BAC Meeting.
- 12.2 The BAC papers, proposal and reports shall clearly address the background, objective, key issues, rationale, impact and other relevant information to enable the BAC Members to make an informed and effective decision or recommendation.

13 PROCEEDING

- 13.1 The BAC Member may attend and participate in the BAC Meeting via video conference, internet conference, telephone conference or other means of communication and shall be counted part of the quorum. Nevertheless, the attendance at BAC Meeting by way of other than physical presence must remain an exception rather than the norm and is subject to appropriate safeguards to preserve the confidentiality of deliberations.

14 CONFLICT OF INTEREST

- 14.1 The BAC Member must declare at BAC Meeting if the BAC Member or his/her family (whether directly or indirectly) has interest in MBM's contract or proposed contract OR hold any interests, offices or possesses properties relating to any matters deliberated in the BAC Meeting which will be or is in conflict with his/her duties as the Director of MBM (conflict of interest);

"family" shall include the director's spouse, parent, child (including adopted child and stepchild), brother, sister and the spouse of his/her child, brother or sister

- 14.2 In the event of declared interest by the BAC Member, the Secretary shall minute the declaration. The relevant BAC Member shall not participate in the discussion at the BAC Meeting and shall not vote on the interested matter but will still be counted for quorum.

15 ACCESS OF INFORMATION

- 15.1 The BAC shall have access to all information within MBM. The BAC may rely on information, reports or statements from any officer of MBM, the Board, other BOCs or experts in exercising its duties. The BAC shall have access to advice from third party experts on any matter deliberated by the BAC as and when required, and the cost of such advice shall be borne by MBM.

16 DECISION

- 16.1 Each BAC Member shall be entitled to one (1) vote in deciding the matters deliberated by the BAC. Any decision of the BAC shall be determined by a majority of votes.
- 16.2 In the event of an equality of votes, the BAC Chairman shall be entitled to a second or casting vote.

17 MINUTES

- 17.1 The discussions and conclusions of the BAC meetings shall be minuted, in a clear, accurate, consistent, complete and timely manner. The minutes shall record the decisions of the BAC, including key deliberations, rationale for each decision made, and any significant concerns or dissenting views. The minutes must indicate whether any member of the BAC had abstained from voting or excused himself from deliberating on a particular matter.
- 17.2 The BAC meeting minutes shall be signed by the Chairman of the BAC meeting at which the proceedings were held or by the Chairman of the next BAC meeting. The record of a resolution passed, if purporting to be signed by a member of the BAC or by the Secretary, is sufficient evidence of the passing of the resolution.

18 CIRCULAR RESOLUTION

- 18.1 A Circular Resolution in writing signed by a majority of the BAC Members shall be as effective as a resolution passed at a meeting of the BAC duly convened and held and may

consist of several documents in the like form, each signed by one or more of the BAC Member.

"Documents in the like form" include approval given by Director through a legible confirmed transmission by facsimile, telex, cable, telegram or other forms of electronic communications.

- 18.2 Any Circular Resolution passed must be tabled at the next BAC meeting for notification of the BAC.

19 REPORTING TO BOARD

- 19.1 The BAC shall report to the Board on material matters arising at the BAC meetings, on all matters within the BAC's purview and, where applicable, shall present the BAC's recommendations to the Board for Board's decision / approval.
- 19.2 Other matters assessed, reviewed or decided by the BAC may be reported to the Board via minutes of the BAC meetings tabled to the Board. The BAC Chairman may update the matters separately as and when required.

20 COLLABORATION WITH BOARD RISK MANAGEMENT COMMITTEE

As and when required, the Board Audit Committee and Board Risk Management Committee shall periodically meet to ensure effective exchange of information so as to enable effective coverage of all risks, including emerging risk issues that could have an impact on MBM's risk appetite and business plans.

21 OTHER PROVISIONS

- 21.1 This TOR of BAC may be reviewed and updated every 3 years or as and when required, in accordance with the needs of MBM and any new regulations any new regulations affecting MBM.
- 21.2 Notwithstanding the delegation of authority to the BAC, nothing herein stated shall prevent the matters from being directly review, assess or decide by the Board or restrict the Board from delegating its specific responsibilities to individual Director, Management or any person/entity.
- 21.3 The Board remains fully accountable for any authority delegated to the BAC.

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