

**NOVA MSC BERHAD**  
(Company No. 591898-H)  
(Incorporated in Malaysia)

## **AUDIT COMMITTEE**

### **TERMS OF REFERENCE**

#### **COMPOSITION OF THE AUDIT COMMITTEE**

The Audit Committee shall be appointed from amongst the Board and shall consist of not less than three members. All Audit Committee members must be non-executive directors with a majority of them being independent directors. At least one member of the Audit Committee must be:

- (a) a member of the Malaysian Institute of Accountants (MIA); or
- (b) if he is not a member of MIA, he must have at least three (3) years working 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 is a member of one (1) of the Associations specified in Part II of the 1<sup>st</sup> Schedule of the Accountants Act, 1976.
- (c) Fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Bhd.

No alternate director shall be appointed as a member of the Committee.

The Chairman who shall be elected by the Audit Committee, must be an independent director.

In the event the elected Chairman is not able to attend a meeting, a member of the Audit Committee shall be nominated as Chairman for the meeting. The nominated Chairman shall be an Independent Director. In the event of any vacancy with the result that the number of members is reduced to below three, the vacancy must be filled within three (3) months.

#### **AUTHORITY**

The Audit Committee shall be granted the authority to investigate any activity of the Company and its subsidiaries and all employees shall be directed to co-operate as and when required by the Audit Committee. The Audit Committee shall also be empowered to consult independent experts where necessary to assist in executing its duties.

#### **MEETINGS**

The Audit Committee is to meet at least four times a year and as many times as the Audit Committee deems necessary.

The quorum for a meeting shall be two (2) members, provided that the majority of members present at the meeting shall be independent.

## **NOTICE OF MEETINGS AND ATTENDANCE**

The agenda of the Audit Committee meetings shall be circulated before each meeting to members of the Audit Committee. The Audit Committee may require the external auditors and any officer of the Company to attend any of its meetings as it determines.

The external and internal auditors shall have the right to appear and be heard at any meeting of the Audit Committee and shall so appear when required to do so by the Audit Committee.

Upon the request of the external or internal auditors, the Chairman of the Audit Committee shall convene a meeting of the Audit Committee to consider any matters that the auditors believe should be brought to the attention of the Directors or shareholders.

The Company Secretary shall be the Secretary of the Audit Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it prior to each meeting.

The Company Secretary shall also be responsible for keeping the minutes of meetings of the Audit Committee and circulating them to the Audit Committee members.

## **DUTIES AND RIGHTS OF THE AUDIT COMMITTEE**

The duties and rights of the Audit Committee shall be:

1. To review the following:

- a. The nomination of external auditors;
- b. The adequacy of existing external audit arrangements, with particular emphasis on the scope and quality of the audit;
- c. The effectiveness of the internal audit function;
- d. The effectiveness of the internal control and management information systems;
- e. The Committee is authorized to convene meetings with the external auditors, the internal auditors or both excluding the attendance of other directors and employees of the listed company, whenever deemed necessary;
- f. Any management letters sent by the external auditors to the Company and the management's response to such letters;
- g. Any letter of resignation from the Company's external auditors;
- h. The assistance given by the Company's officers to the external auditors;
- i. All areas of significant financial risk and the arrangements in place to contain those risks to acceptable levels; and
- j. All related-party transactions and potential conflict of interests situations.
- k. The implementation and allocation of the Group's Employee Share Option Scheme ("ESOS"), as being in compliance with the criteria set out in the Listing Requirements of Bursa Malaysia Securities Berhad and in accordance with the ESOS by-laws as approved by the Board of Directors and shareholders.
- l. The independence and objectivity of the external auditors and their services including non-audit fees and professional fees, so as to ensure proper balance between objectivity and value for money.

2. The Audit Committee shall:

- a. Have explicit authority to investigate any matters within its terms of reference;
- b. Have the resources which it needs to perform its duties;
- c. Have full access to any information which it requires in the course of performing its duties;
- d. Have unrestricted access to the chief executive officer and the chief financial officer;
- e. Have direct communication channels with the external and internal auditors;
- f. Be able to obtain independent professional or other advice in the performance of its duties at the cost of the Company; and
- g. Be able to invite outsiders with relevant experience to attend its meetings if necessary.

3. Where the Audit Committee is of the view that any matter reported by it to the Board of Directors of the Company has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the Audit Committee must promptly report such matters to the Bursa Malaysia Securities Berhad;

4. To make recommendations to the Board of Directors to outsource certain of its internal audit functions to an independent firm of consultants, if necessary.

5. To discuss problems and reservations arising from the interim and final audits, their evaluation of the system of internal controls, and any matters the external auditors may wish to discuss (in the absence of management, where necessary).

6. To consider the major findings of internal investigations and management's response during the year with management and the external auditors, including the status of previous audit recommendations.

7. To carry out any other functions that may be mutually agreed upon by the Audit Committee and the Board.