Mizuho Bank (Malaysia) Berhad

Company Registration No. 201001039768 (923693-H)

TERMS OF REFERENCE

BOARD AUDIT COMMITTEE

Policy Control Sheet

No	Date	Version	Summary	Remarks
1	3 March 2011	1.0	Establishment of TOR	Approved by BOD 3 March 2011
2	11 Aug 2011	2.0	Revision of TOR in accordance with new RH13-4 guidelines issued by Bank Negara Malaysia.	Approved by BOD 23 September 2011
3	19 July 2016	3.0	To incorporate the following: i) assessment of the effectiveness of risk management activities including the enterprise-wide operational risk management function, the effectiveness of senior management oversight of operational risks and the effectiveness of operational risk management framework; ii) Effective communication on the result of audit to the Board and senior management. The Board and senior management must in turn ensure that appropriate and timely actions are taken to address any internal audit findings and maintain an effective operational risk management framework.	Approved by BOD 29 October 2016
4	25 June 2018	4.0	To incorporate the following: i) BNM/RH/PD 029-9 Corporate Governance states that each Board Committee must assume the specific responsibilities enumerated for it in the Corporate Governance Policy Document. ii) BNM/RH/GL 013-4 - Guidelines on Internal Audit Function of Licensed Institutions states that each licensed institution should have an internal audit charter that enhances the standing and authority of the internal audit function within the institution.	Approved by BOD 25 June 2018
5	2 April 2020	5.0	To incorporate recommendations by Messrs Zahid Ibrahim & Co ("ZICO").	Approved by BOD on 2 April 2020
6	29 Dec 2021	6.0	1. Section 9.2 To include the recommendation from Bank Negara Malaysia ('BNM') on the BAC's prerogative to invite attendees to the BAC meeting; and 2. Section 21 Other Provisions – To include the proposed changes including: i) To amend the Section 21.1 TOR to the state 'The BAC TOR may be reviewed and updated by IAD every 3 years or as and when required, in accordance with the needs of MBM and any new regulations affecting MBM'; and ii) To add a clause in Section 21.4 – 'Unless otherwise stated under the law, nothing herein contained shall restrict the power of the Board under Article 96 of the Constitution to despatch of business, adjourn and otherwise regulate the Board meetings as the Board thinks fit'.	Approved by BOD on 25 Jan 2022
7	21 Dec 2022	7.0	Reviewed and No Changes Required	Notation by BOD on 19 Jan 2023
8	22 Dec 2023	8.0	To update the TOR to reflect the current roles and responsibilities of BAC.	Approved by BOD on 23 Jan 2024
9.	26 March 2026	9.0	i) To update the review frequency of BNC TOR from 'once in every 3 years **or** as and when required' to 'once in every 3 years **and** as and when required' ii) To make other administrative amendments.	Approved by BOD on 26 March 2026
10.	22 October 2026	10.0	To update the designation of relevant organisational units from "Department" to "Section".	Noted by BOD on 22 October 2026

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TERMS OF REFERENCE OF THE BOARD AUDIT COMMITTEE

1. OBJECTIVE

1.1 The objective of the Terms of Reference ("**TOR**") is to set out the principal roles and responsibilities of the Board Audit Committee ("**BAC**"), procedures for governing the meetings and decision making process of the BAC in accordance with the authority granted by the Board, the principles of good governance set out in the policy documents and guidelines issued by Bank Negara Malaysia ("**BNM**") and other relevant regulatory authorities. This TOR shall be read together with the Board Charter and TOR of the Board.

2 AUTHORITY

2.1 The BAC in discharging its duties, has explicit authority to investigate any matters within its TOR. It has direct communication channels with the external and internal auditors as well as regulators; obtain independent professional advice, if necessary, at the Bank's expense; and access to Management and resources to enable effective discharge of its functions.

3 PRINCIPAL ROLES AND RESPONSIBILITIES

3.1 Pursuant to the mandate granted via the Constitution of MBM, BAC is established to support the Board in providing independent oversight on the financial reporting, internal control systems and governance processes of Mizuho Bank (Malaysia) Berhad ("**MBM**").

3.2 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 therein. The BAC shall be responsible to review/assess and make recommendation to the Board for approval.

3.3 The duties and responsibilities of BAC shall include the following:-

3.3.1 Internal Audit

(a) To review, assess and/or recommend Internal Audit Charter of MBM including its periodic review.

(b) To review, assess and/or approve Internal Audit Plan including any deferment thereof, audit scope, procedures and frequency.

(c) To review, assess and/or recommend significant audit reports, Senior Management's corrective actions and other audit matters identified by the Internal Audit Section ("**IAS**").

(d) To review, assess and/or recommend internal audit report by IAS 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.

(e) 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.

(f) Together with Board Nomination Committee, review, assess and/or recommend on the appointment (*including salary and benefit package), confirmation, promotion, cessation, evaluation on qualification and fit and proper criteria, succession plan, annual key performance indicators and annual performance assessment of the Chief Internal Auditor ("**CIA**").

"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.

(g) Together with Board Remuneration Committee, review, assess and/or recommend the remuneration including but not limited to salary, benefits, increment and bonus of the CIA.

(h) To review, assess and/or approve the mechanism for assessment on the effectiveness of the Internal Audit function and the independence of IAS including the appropriate mechanism to address and managing situations where there is a threat to the objectivity of IAS.

(i) 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 IAS personnel.

(j) Through exit meeting, to review the reasons and circumstances leading to the resignation of the CIA.

(k) To establish direct communication channels with the CIA and IAS, including conducting pre-Audit Committee meetings with the CIA, as and when necessary.

3.3.2 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.

3.3.3 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 amendments made thereof.

(d) To note significant disagreements between the CIA and Senior Management team.

3.3.4 Financial Reporting

(a) To review and/or recommend 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 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 to Internal Capital Adequacy Assessment Process (ICAAP).

(c) To review the accuracy and adequacy of the chairman's statement in the directors' report (if any), corporate governance disclosures and interim financial reports in relation to the preparation of the Bank's annual financial statements.

3.3.5 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 Auditor 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 Senior Management's corrective actions in a timely manner to address external audit findings and recommendations.
(vii) Review 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).

3.3.6 Others

(a) To review any related party transactions and conflict of interest ("COI") situation that may arise within the Bank and monitor compliance with policy requirements relating to the Board's COI.

4. SIZE AND COMPOSITION

4.1 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.

4.2 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.

5. CHAIRMAN

5.1 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.

5.2 In the absence of the BAC Chairman, the remaining BAC Members present shall elect an Independent Director among themselves to chair the BAC meeting.

6. SECRETARY

The Company Secretary of MBM or his/her nominee approved by the BAC shall act as the Secretary of the BAC meetings.

7. FREQUENCY OF MEETINGS

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.

8. ATTENDANCE

8.1 The BAC Member must attend at least 75% of the BAC meetings held in each financial year.

8.2 The BAC Members may participate in a meeting by means of conference telephone or similar electronic tele-communicating equipment by means of which all persons participating in the meeting can hear each other and participate throughout the duration of the meeting. The participation in such meetings shall constitute attendance of the BAC members at such meeting. However, attendance at BAC meetings, by way other than physical presence, must remain the exception rather than the norm.

8.3 The BAC may invite Members of Senior Management or any other person to attend the meetings as and when the BAC may deem appropriate and necessary .

9. QUORUM

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

10. NOTICE

10.1 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.

10.2 A reasonable prior written Notice of meeting shall be given to each BAC Member, preferably 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.

11. AGENDA AND PAPERS

11.1 The CIA and/or IAS 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, preferably seven (7) days before the date of the BAC meeting.

11.2 The BAC papers, proposals and reports shall clearly address the background, objective, key issues, key considerations/rationale, impact and other relevant information to enable the BAC Members to make an informed and effective decision or recommendation.

12. DECISION

12.1 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.

12.2 In the event of an equality of votes, the BAC Chairman shall be entitled to a second or casting vote.

13. MINUTES

13.1 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 abstained from voting or excused himself from deliberating on a particular matter.

13.2 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.

13.3 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.

13.4 Any Circular Resolution passed must be tabled at the BAC meeting for notification of the BAC.

14. REPORTING TO BOARD

14.1 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.

14.2 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.

15. COLLABORATION WITH BOARD RISK MANAGEMENT COMMITTEE

15.1 As and when required, the BAC 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.

16. OTHER PROVISIONS

16.1 This TOR of BAC will be reviewed and updated (if required) once in every 3 years and as and when required so as to ensure its relevancy in line with the development of the Bank's business operations and regulatory requirements.

16.2 Notwithstanding the delegation of authority to the BAC, nothing herein stated shall prevent the matters from being directly reviewed, assessed or decided by the Board or restrict the Board from delegating its specific responsibilities to individual Director, Management or any person/entity.

16.3 The Board remains fully accountable for any authority delegated to the BAC.

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