

INTERNAL AUDIT CHARTER

1. Introduction

This Internal Audit Charter ("**Charter**") primarily aims to define and establish the mission, objectives, scope of work, status, authority, accountability and responsibilities of the Internal Audit function of Mercury Securities Group Berhad and its subsidiaries ("**Group**").

2. Mission

The Internal Audit function is to assist the Board, Audit and Risk Management Committee ("**ARMC**") and Management in the effective discharge of their responsibilities to achieve the Group's strategic objectives and to protect, amongst others, the Group's assets, reputation and sustainability.

The Internal Audit function shall provide an independent, objective assurance and consulting activity to enhance and protect organisational values by a systematic, risk-based approach to evaluate the design, implementation and effectiveness of internal controls, risk management and governance processes.

3. Objectives and Scope of Work

The objectives and scope of work of the Internal Audit function is to determine whether the governance, risk management and control environment and processes of the Group are adequate, effective and functioning in a manner to provide a reasonable level of assurance that:

- Significant key risks are appropriately identified and managed;
- Significant financial, managerial and operating information are accurate, valid, reliable and reported on a timely basis;
- Employees' and remisers' actions are in compliance with policies, procedures and applicable laws and regulations;
- Resources are acquired economically, used efficiently and protected adequately;
- Programs, plans and strategic objectives are achieved;
- Quality and continuous improvement are fostered in the control process; and
- Significant laws, regulations and guidelines impacting the Group are recognised and addressed properly.

The scope of work shall also include identifying opportunities for improving management controls, productivity, profitability and the reputation of the Group.

4. Independence & Reporting

The Head of Internal Audit shall directly report to the ARMC:

- As the Internal Audit Department shall be independent of the activities audited and shall exercise its assignment on its own initiatives in all the departments, offices and activities of the Group; and

- The Head of Internal Audit shall be authorised to communicate directly, and on his own initiatives, to the members of the ARMC and the Board and shall co-ordinate such communication, no less than once a quarter.

For maintaining the independence and objectivity of the Internal Audit function:

- Internal Audit shall not participate in any activity or relationship that has the potential to impair its objectivity and must avoid conflict of interest. Where such a conflict of interest occurs, the Internal Audit must report this to the ARMC.
- The ARMC is responsible to appraise and evaluate the performance of the Head of Internal Audit and is also authorised to appoint or remove senior staff of the Internal Audit Department.

For practical reasons, the Head of Internal Audit will refer to the Managing Director and/or the Chief Financial Officer on administrative matters.

5. Authority

The Internal Audit Department is authorised to:

- Have full, free and unrestricted access to all subsidiaries, affiliates, departments, offices, activities, records, information, personnel and properties of the Group relevant to the performance of the Internal Audit function;
- Have full and free access to the ARMC and the Board, if necessary;
- Determine scope of work and apply the relevant techniques required to accomplish the audit objectives;
- Obtain the necessary assistance of personnel in the various departments/officers of the Group where they perform audits; and
- Obtain assistance of specialist/professionals where considered necessary from within or outside the Group.

6. Accountability and Responsibility

The Head of Internal Audit has responsibility and shall be accountable to the ARMC to:

- Formulate risk-based annual audit plan in consultation with and for approval by the ARMC;
- Execute the annual audit plan, including as appropriate any special tasks or projects requested by the ARMC and any risks or control concerns identified by the Management;
- Report significant issues related to the business and operational processes for controlling the activities of the Group together with recommendations for improvement by issuing periodic audit reports and follow-up reports on timely basis;
- Assist in the investigation of significant suspected fraudulent activities and notify the ARMC of the results and when required co-ordinate with external forensic expert to facilitate such investigation;
- Coordinate with and provide oversight of other control and monitoring functions such as, risk management and compliance functions;

- Consider the scope of the External Auditors, compliance and risk management teams, as appropriate for the purpose of providing optimal audit coverage to the Group at a reasonable overall cost;
- Keep the ARMC informed of emerging trends and developments in internal auditing practices and provide recommendations for necessary revisions in this Charter and audit methodology;
- Maintain a quality assurance and improvement program that cover all significant aspects of its activities;
- Adopt sound internal principles and best practices and seek guidance from professional bodies such as the Institute of Internal Auditors Malaysia;
- Maintain a requisite team with sufficient knowledge, skills, and experience and professional qualifications to meet the requirements of this Charter and for succession planning.

The core principles to be adopted by the Head of Internal Audit and his team, amongst others are:

- Demonstrate competence and due professional care;
- Demonstrate integrity and is objective and free from undue influence;
- Promotes organisational improvements and demonstrate quality and continuous improvement;
- Communicate effectively and timely;
- Keep confidential and protect all the information obtained; and
- Not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the Group.

7. Approval and amendment to this Charter

The ARMC has approved this Charter and shall review this Charter, periodically (at least once every 2 years) and approve changes as required