

THE BANK OF NOVA SCOTIA BERHAD

TERMS OF REFERENCE OF THE BOARD AUDIT COMMITTEE

Approved by the Board on 4 April 2023

A. MANDATE AND AUTHORITY

1. To perform such duties as may be required by the Financial Services Act 2013, the regulations thereunder and guidelines of the Central Bank of Malaysia (Bank Negara Malaysia referred as “BNM”), as well as other applicable legislation and regulations.
2. To assist the Board of Directors (“the Board”) in fulfilling its oversight responsibilities for:
 - the integrity of financial statements and quarterly financial results of The Bank of Nova Scotia Berhad (“BNSB”).
 - BNSB’s compliance with legal and regulatory requirements.
 - the system of internal control, including internal control over financial reporting and disclosure controls and procedures.
 - BNSB’s internal audit, finance, compliance and anti-money laundering functions.
3. To perform such other duties as may from time to time be assigned to the Audit Committee (the “Committee”) by the Board.
4. The Committee has authority to:
 - Conduct or authorize investigations into any matters within its scope of responsibility.
 - Meet with BNSB officers, the external auditor or outside counsel, as necessary.
 - Communicate directly with the internal and external auditors.
 - Receive all material correspondence between the external auditor and management related to audit and interim review findings.

B. ACCOUNTABILITIES

1. Support the Board in ensuring that there is a reliable and transparent financial reporting process within BNSB:
 - a) Seek assurances that the accounts are prepared in a timely and accurate manner with reviews of the adequacy of provisions against contingencies, and bad and doubtful debts.
 - b) Review the Statement of Financial Position and Statement of Profit or Loss and Other Comprehensive Income for submission to the Board and oversee the prompt publication of annual financial statements.
2. Oversee the effectiveness of the internal audit function of BNSB:
 - a) Review and approve the charter or mandate of the Audit Department of BNSB.
 - b) Review and approve the Annual Audit Plan including the overall risk assessment methodology, budgets and resources of the Audit Department of BNSB.
 - c) Review key audit reports and oversee that senior management is taking necessary corrective actions in a timely manner to address control weaknesses, non-compliance with laws, regulatory requirements, policies and other observations and findings identified by the internal audit and other control functions as may be applicable.
 - d) Monitor and review reports to ensure that the Audit Department’s recommendations are adequately considered and agreed action plans implemented by Management.

- e) Review any matters of significance that arise from audit engagements impacting BNSB.
 - f) Ensure the Audit Department has unfettered access and a direct and independent reporting line to the Committee.
 - g) Provide for an open avenue of communication between the Audit Department and the Board.
 - h) Evaluate the performance and agree on the considerations to be factored into the remuneration package of the Head of Internal Audit.
3. Support the following responsibilities of the Board:
- a) maintain accountability and oversight for establishing Compliance/AML/CFT policies and minimum standards.
 - b) approve an effective internal control system for Compliance/AML/CFT and maintain adequate oversight of the overall Compliance/AML/CFT measures undertaken by the reporting institution.
 - c) define the lines of authority and responsibility for implementing Compliance/AML/CFT measures and ensure that there is a separation of duty between those implementing the policies and procedures and those enforcing the controls.
 - d) approve or adopt policies regarding Compliance/AML/CFT within the organization.
4. Foster a quality audit of BNSB by exercising oversight over the external auditor, in accordance with the expectations prescribed by BNM, which include:
- a) Recommend to the Board the appointment, removal and remuneration of the external auditor.
 - b) Monitor and assess the independence of the external auditor including by approving the provision of non-audit services by the external auditor.
 - c) Monitor and assess the effectiveness of the external auditor, including by meeting with the external auditor without the presence of senior management at least annually.
 - d) Maintain regular, timely, open and honest communication with the external auditor, and requiring the external auditor to report to the Committee on significant matters.
 - e) Ensure that senior management is taking necessary corrective actions in a timely manner to address external audit findings and recommendations.
5. Review and update the Board on all related party transactions.
6. Review the accuracy and adequacy of the director's report, corporate governance disclosures and interim financial reports and preliminary announcements in relation to the preparation of financial statements, as appropriate to BNSB.
7. Ensure there is no conflict of interest in the Board's expectations of its duties as prescribed by BNM.
8. Where necessary, periodically review third-party opinions on the design and effectiveness of BNSB's internal control framework, which refers to the set of rules and controls governing BNSB's organizational and operational structure, including reporting processes and control functions.

C. COMMITTEE OPERATIONS

1. Reporting

After each meeting of the Committee, the Committee is required to report to the Board on matters reviewed by the Committee at the next Board meeting. The Committee shall also review and assess the adequacy of this Terms of Reference at least every two years and report the results of this review to the Board.

2. Composition of Members

The Committee shall be appointed by the Board and shall consist of a minimum of three (3) members, none of whom shall be full-time executives of BNSB. The majority of the Committee members shall be independent non-executive directors¹ and the Audit Committee shall elect a Chairman among them who is an independent director¹.

3. Meetings

- The Committee shall meet not less than 4 times a year.
- The external and internal auditors shall have free access to the Committee. The auditors shall be allowed to attend and be heard at any meeting of the Committee.
- Upon the request of the auditors, the Chairman of the Committee shall convene a meeting to consider any matter that the auditor believes should be brought to the attention of the directors and shareholders.

4. Quorum

Majority of the committee members is required to form a quorum in respect of the meeting.

These Terms of Reference were reviewed and approved by the Board on 4 April 2023.