



TAKAFULmalaysia

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

Registration No: 198401019089 (131646-K)
(Incorporated in Malaysia)

TERMS OF REFERENCE OF AUDIT COMMITTEE

1.0 OBJECTIVES

The primary objective of the Audit Committee (AC) is to provide an independent oversight on the financial reporting process and internal control system and ensuring checks and balances within Syarikat Takaful Malaysia Keluarga Berhad and the subsidiaries ("STMKB Group").

2.0 AUTHORITIES

The AC shall, whenever necessary and reasonable for the performance of its duties, in accordance with a procedure to be determined by the Board and at the expense of the Company:

- (i) Have authority to investigate any matter within its terms of reference.
- (ii) Have the resources as well as full and unrestricted access to all information which is required to perform its duties.
- (iii) Have direct communication channels and be able to convene meetings with the Internal Auditors, External Auditors or both of STMKB Group without the attendance of the Executive Directors, Group Chief Executive Officer (GCEO), Management and staff whenever deemed necessary.
- (iv) Obtain, if it is deemed necessary, independent professional advice on any matter within its terms of reference.

3.0 DUTIES AND RESPONSIBILITIES

In fulfilling its primary objectives, the AC shall undertake the following duties and responsibilities:

- (i) Support the Board in ensuring that there is a reliable and transparent financial reporting process within STMKB Group.
- (ii) Oversee the effectiveness of the Internal Audit (IA) function of STMKB Group including the following:
 - (a) to review the adequacy of the IA scope and plan, functions, competency and resources of the IA functions and that it has the necessary authority to carry out its work.



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TERMS OF REFERENCE OF THE AC (CONT'D)

- (b) to review the IA plan, processes, the results of the IA assessment, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal auditors.
 - (c) to review the assistance given by the Group's employees to the auditors, and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information.
 - (d) to review the IA Charter, budget and staffing of the IA Division, which reports directly to the AC, and ensure that the activities is effective and able to function independently.
 - (e) to take cognizance of resignations of internal audit staff and provide the resigning staff member an opportunity to submit his reasons for resigning.
 - (f) to approve any appointment or termination of the Head of IA.
 - (g) to review internal controls, including the scope of the internal audit governance, procedures, findings, and recommend action to be taken by Management.
 - (h) to review any appraisal or assessment of the performance of the Internal Audit function and the performance of the Head of IA.
 - (i) to review key audit reports and ensuring that Management is taking necessary corrective actions in a timely manner to address control weaknesses, non-compliance with laws, regulatory requirements, policies and other problems identified by the internal audit and other control functions.
 - (j) to note significant disagreements between the Chief IA/Head of IA and the Management irrespective of whether these have been resolved, in order to identify any impact, the disagreements may have on the audit process or findings.
- (iii) Foster a quality audit of STMKB Group by exercising oversight over the external auditor, in accordance with the expectations set out in the BNM Guidelines on External Auditor including the following:
- (a) to review with the external auditor and report to the Board, the audit scope and plan, including any changes to the planned



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TERMS OF REFERENCE OF THE AC (CONT'D)

scope of the audit plan and evaluation of the system of internal control.

- (b) to review the independence and objectivity of the external auditors and their services, including non-audit services and the professional fees, so as to ensure a proper balance between objectivity and value for money and this will include to consider the information presented in the Annual Transparency Report by the external auditors.
 - (c) to monitor and assess the independence of the external auditor including by approving the provision of non-audit services before it is rendered by the external auditor.
 - (d) to review the appointment, performance, audit fees or non-audit fees and any question regarding the resignation or dismissal of external auditors before any making recommendations to the Board.
 - (e) to review whether there is a reason (supported by grounds) to believe that the Company's external auditors is not suitable for the re-appointment.
 - (f) to discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of Management where necessary).
 - (f) to monitor and assess the effectiveness of the external audit, including meeting with the external auditor without the presence of Management at least annually. Feedback will be shared with Management for improvements/changes/notifications, where necessary and appropriate.
- (iv) Both Internal Auditors and External Auditors
- (a) to review the external and internal audit reports to ensure that appropriate and prompt remedial action is taken by Management on major deficiencies in controls or procedures that are identified and reported to the Board.
 - (b) to review the major audit findings and Management's response during the year with Management, external auditors and internal auditors, including the status of previous audit recommendations.



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Registration No: 198401019089 (131646-K)
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TERMS OF REFERENCE OF THE AC (CONT'D)

- (v) Financial Reporting
- (a) to review the interim financial reports/quarterly and year-end financial statements, before the approval by the Board, focusing particularly on:
- changes in or implementation of major accounting policy and practice;
 - significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed; and
 - compliance with accounting standards, and other legal requirements.
- (b) to review the Company's quarterly results and year end financials statements before submission to the Board.
- (c) to review any related party transaction and conflict of interest situation that may arise within the Company or the Group, including any transaction, procedure or course of conduct that raises question of management integrity.
- (vi) Whistle Blowing
- (a) To oversee the implementation of Whistleblower Policy for the Group and to ensure effective administration by Chief Internal Auditor/Authorised Representative.
- (b) to ensure adequate resources are available to address all concerns raised by Whistleblower and for the concerns to be properly investigated and for appropriate action to be taken.
- (vii) To ensure the effectiveness of the internal technology audit function, among others, as follows:
- (a) To ensure adequate competence of the audit staff to perform technology audits and to ensure the audit staff are professionally certified and adequately conversant with the developing sophistication of the Company's technology systems and delivery channels;
- (b) To review and ensure appropriate audit scope, procedures and frequency of technology audits; and



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TERMS OF REFERENCE OF THE AC (CONT'D)

The scope, frequency and intensity of technology audits commensurate with the complexity, sophistication and criticality of technology systems and application.

- (c) To ensure effective oversight over the prompt closure of corrective actions to address technology control gaps.
- (d) To establish a technology audit plan that provides appropriate coverage of critical technology services, third party service providers, material external system interfaces, delayed or prematurely terminated critical technology projects and post implementation review of new or material enhancements of technology services.

(viii) Others

- (a) to review third-party opinions on the design and effectiveness of STMKB's internal control framework.
- (b) to direct and where appropriate supervise any special projects or investigation considered necessary, and review investigation report on any major defalcation, frauds and thefts.
- (c) to assess the internal process for determining and managing key risks. Review the Statement of Risk Management and Internal Control prior to submission to the Board.
- (d) to ensure that any supervisory issues raised by Bank Negara Malaysia are resolved in a timely manner.
- (e) to perform any other functions as may be agreed by the Board within the ambit of proper Corporate Governance.

4.0 COMPOSITION

- 4.1 The AC shall consist of at least three Non-Executive Directors with a majority of them being Independent Directors.
- 4.2 At least one member of the AC must be a member of the Malaysian Institute of Accountants (MIA); or if he is not a member of the MIA, he must have at least three year's working experience and passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or is a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or



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TERMS OF REFERENCE OF THE AC (CONT'D)

fulfils such other requirements as prescribed by Bursa Malaysia Securities Berhad.

- 4.3 In the event of any vacancy in the AC resulting in the non-compliance of paragraphs 4.1, 4.2 and 5.0, the Company must fill the vacancy within three months.
- 4.4 In the event a former key audit partner is appointed as an AC member, the said key audit partner shall observe a cooling-off period of at least three years before the appointment date.
- 4.5 No change or addition shall be made to the composition of the AC without the approval of the Board of Directors after taking into consideration the recommendations of the Nomination and Remuneration Committee, provided that Executive Director(s) shall not, at any time, be a member of the AC.
- 4.6 A member of the AC shall abstain from participating in discussions and decisions on matters directly involving him/her in order to avoid conflicts of interest.

5.0 CHAIRMAN

The Chairman of the AC must be an Independent Director and cannot be the Chairman of the Board.

6.0 SECRETARY

The Secretary of the AC shall be the Company Secretary of the Company or such other person(s) appointed by the Board.

7.0 MEETINGS

- 7.1 The AC may meet regularly as and when required, together for the despatch of business, adjourn and otherwise regulate their meetings, at a minimum once every quarter or more frequently as deemed necessary.
- 7.2 Upon the request of any member of AC, Chief Internal Auditor/Head of Internal Audit or the External Auditor, the Chairman of AC shall convene a special meeting to consider any matters.
- 7.3 The AC may invite other Directors, employee or adviser to the Company to attend the AC meeting (or any part of it) as it may determine.



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TERMS OF REFERENCE OF THE AC (CONT'D)

- 7.4 A meeting of the AC may be held either –
- (a) by a number of the AC members who constitute a quorum, being assembled together at the place, date and time appointed for the meeting; or
 - (b) by means of audio, or audio and visual, communication by which all AC members participating and constituting a quorum can simultaneously hear each other throughout the meeting.
- 7.5 Participation by a person in a meeting by means of audio, or audio and visual, communication facilities shall be treated as presence in person by that person at the said meeting and shall be counted towards the quorum notwithstanding the fact that he is not physically present at the venue where the meeting is to be held.
- 7.6 For avoidance of doubt, such a meeting shall be deemed to be held at the place where the Chairman of the meeting is at the start of the meeting.
- 7.7 Such a meeting shall not be deemed to have proceeded for such period or periods where the audio, or audio and visual, communication facilities have been disconnected.
- 7.8 The chairperson shall have the discretion to postpone the meeting which had been disconnected and which cannot be reconnected within a reasonable time, to another date and time to be agreed by the participants of the meeting

8.0 QUORUM

- 8.1 The quorum for the AC meeting shall be two members with Independent Directors forming the majority.
- 8.2 In the absence of the Chairman, the members can elect from amongst themselves the Chairman for the Meeting, who must be an Independent Director.

9.0 CIRCULAR RESOLUTIONS

- 9.1 A resolution in writing signed by all AC members for the time being shall be as valid and effectual as if it had been passed at a meeting of the AC duly called and constituted.



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Registration No: 198401019089 (131646-K)
(Incorporated in Malaysia)

TERMS OF REFERENCE OF THE AC (CONT'D)

- 9.2 Any such resolution may consist of several documents in like form each signed by one or more AC members.
- 9.3 All decisions and/or approvals made via circular resolution shall be presented at the subsequent AC meeting for notation.

10.0 MINUTES OF MEETINGS

- 10.1 The Secretary shall minute the proceedings and resolutions of all meetings of the AC. The minutes must record the decisions of the AC, including the key deliberations, rationale for the decision made and any significant concerns or dissenting views. The minutes must also indicate whether any member abstained from voting or excused himself or herself from deliberating on a particular matter.
- 10.2 Minutes of meetings shall be submitted to the Board for notification in such format as determined by the Board.

11.0 REPORTING

- 11.1 The AC shall report to the Board of Directors either in writing or verbally, as it considers appropriate on the matters within its terms of reference at least once every Quarter, but more frequently if it so wishes.
- 11.2 The AC shall report to the Board of Directors on any specific matters referred to it by the Board and remains fully accountable for all authority delegated.
- 11.3 Where the AC is of the view that a matter reported by it to the Board of Directors after a reasonable reminder has been given to the Board and has not been satisfactorily resolved resulting in a breach of the Main Market Listing Requirements, the AC must promptly report such matter to the Exchange.

12.0 REVIEW OF THE TERMS OF REFERENCE

The Terms of Reference shall be reviewed and updated from time to time as and when required.

Dated this 27th day of July 2021.