



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

2.0 AUTHORITIES

AC shall, whenever necessary and reasonable for the performance of their 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 internal auditors, external auditors or both of the 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, 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 the Group.
- (ii) Oversee the effectiveness of Internal Audit ("IA") function of the Group including the following:-
 - (a) Review adequacy of IA's scope and plan, functions, competency and resources of IA functions and has the necessary authority to carry out their work.



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- (b) Review IA's plan, processes, results of IA's assessment, processes or investigation undertaken and whether or not appropriate action is undertaken on the recommendations of the internal auditors.
 - (c) Review assistance given by the Group's employees to auditors, and any difficulties encountered in course of audit works, including any restrictions on the scope of activities or access to required information.
 - (d) Review IA's Charter, budget and staffing of IA Division, which reports directly to AC, and ensure that the activities is effective and able to function independently.
 - (e) Take cognisance of resignations of internal audit staff and provide resigning staff member an opportunity to submit his reasons for resigning.
 - (f) Approve any appointment, reappointment or termination of Head of IA.
 - (g) Review internal controls, including the scope of internal audit governance, procedures, findings and recommend action to be undertaken by Management.
 - (h) Review any appraisal or assessment of performance of IA function and performance of Head of IA.
 - (i) Review key audit reports and ensuring that Management undertakes 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) Note significant disagreements between Chief IA/Head of IA and Management irrespective of whether these have been resolved, in order to identify any impact, disagreements may have on the audit process or findings.
- (iii) Foster a quality audit of the Group by exercising oversight over the external auditor, in accordance with the expectations set out in BNM's Guidelines on External Auditor including the following:-
- (a) Review with external auditor and report to the Board on audit scope and plan, including any changes to the planned scope of audit plan and evaluation of internal control system.



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- (b) Review independence and objectivity of external auditors and their services, including non-audit services and professional fees to ensure a proper balance between objectivity/value for money including to consider information presented in Annual Transparency Report by external auditors.
 - (c) Monitor and assess the independence of external auditor including approval of provision of non-audit services before it is rendered by external auditor.
 - (d) Review appointment, performance, audit fees or non-audit fees and any question regarding resignation or dismissal of external auditors before any making recommendations to the Board.
 - (e) Review whether there is a reason (supported by grounds) to believe that the Company's external auditors is unsuitable for reappointment.
 - (f) Discuss problems and reservations arising from interim and final audits, and any matter the auditor may wish to discuss (in the absence of Management where necessary).
 - (g) Monitor and assess effectiveness of the external audit, including meeting 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) Reports by Internal Auditors and External Auditors
- (a) Review external and internal audit reports to ensure that appropriate and prompt remedial action is undertaken by Management on major deficiencies in controls or procedures that are identified and reported to the Board.
 - (b) Review major audit findings and Management's response during the year with Management, external auditors and internal auditors, including status of previous audit recommendations.
- (v) Financial Reporting
- (a) Review the interim financial reports/quarterly and year-end financial statements, before the Board's approval, focusing particularly on the following:-



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- Changes in or implementation of major accounting policy and practice;
 - Significant matters highlighted including financial reporting issues, significant judgments made by Management, significant/unusual events/transactions, and how these matters are addressed; and
 - Compliance with accounting standards, and other legal requirements.
- (b) Review the Company's quarterly results and year end financials statements before submission to the Board.
- (c) 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 questions of management integrity.
- (vi) Review conflict of interest ("COI") situation that arose or persist (in addition to those that may arise) and the measures undertaken to resolve, eliminate, or mitigate the COI.
- (vii) Disclose a summary of any COI or potential COI situation within the Company or the Group that it has reviewed excluding related party transactions and the measures undertaken to resolve, eliminate or mitigate such conflicts in AC's Report.
- (viii) Whistle-blowing
- (a) Oversee the implementation of Whistle-blowing Policy for the Group and ensure effective administration by Chief Internal Auditor/Authorised Representative.
 - (b) Ensure adequate resources are available to address all concerns raised by Whistleblower and for the concerns to be properly investigated and appropriate action to be undertaken.
- (ix) Ensure effectiveness of internal technology audit function, among others, as follows:-
- (a) Ensure adequate competence of audit staff to perform technology audits and audit staff are professionally certified/adequately conversant with the developing



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sophistication of the Company's technology systems and delivery channels;

- (b) Review and ensure appropriate audit scope, procedures and frequency of technology audits; and

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

- (c) Ensure effective oversight over prompt closure of corrective actions to address technology control gaps.
- (d) 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.

(x) Others

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

4.0 COMPOSITION

- 4.1 AC should comprise solely of independent directors.
- 4.2 At least one (1) member of 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 (3) year's working experience and passed the examinations specified in Part I of the 1st Schedule of the



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

- 4.3 In the event of any vacancy in AC resulting in the non-compliance of paragraphs 4.1, 4.2 and 5.0, the Company must fill the vacancy within three (3) 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 (3) years before the appointment date.
- 4.5 No change or addition shall be made to the composition of AC without the Board's prior approval after taking into consideration the recommendations of Nomination and Remuneration Committee, provided that Executive Director(s) shall not, at any time, be a member of AC.
- 4.6 A member of 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 AC must be an Independent Director and cannot be the Chairman of the Board.

6.0 SECRETARY

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

7.0 MEETINGS

- 7.1 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 AC may invite other Directors, employee or adviser to the Company to attend AC meeting (or any part of it) as it may determine.



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- 7.4 A meeting of AC may be held either:-
- (a) by a number of 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 Chairman 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 AC meeting shall be two (2) members.
- 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 AC duly called and constituted.
- 9.2 Any such resolution may consist of several documents in like form each signed by one (1) or more AC members.



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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 AC. The minutes must record the decisions of AC, including key deliberations, rationale for 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 AC shall report to the Board either in writing or verbally, as it considers appropriate on matters within the terms of reference at least once every quarter, but more frequently if it so wishes.

11.2 AC shall report to the Board on any specific matters referred to them by the Board and remains fully accountable for all authority delegated.

11.3 Where AC is of the view that a matter reported by it to the Board 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, AC must promptly report such matter to Bursa Malaysia Securities Berhad.

12.0 REVIEW OF THE TERMS OF REFERENCE

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

Dated this 24th day of August 2023