



**TUNE INSURANCE MALAYSIA
BERHAD**

(COMPANY NO. 30686-K)

**TERMS OF REFERENCE FOR
AUDIT COMMITTEE**

As at 23 October 2018

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1. OBJECTIVES/ PRINCIPLES

The principal objective of the Audit Committee ("AC" or "the Committee") is to assist and support the Board of Directors ("the Board") in fulfilling its legal responsibilities relating to the financial and accounting records and controls and the reporting practices of the Company.

In addition, the Audit Committee shall:-

- (a) Oversee and appraise the quality of the audits conducted both by the Company's Internal and External Auditors;
- (b) Maintain an open line of communication and consultation between the Board of Directors, the Internal Auditors, the External Auditors and Management;
- (c) Evaluate the adequacy and effectiveness of the Company's administrative, operating and accounting controls and the integrity of its financial information;
- (d) Determine the adequacy of the Company's control environment;
- (e) Review and evaluate any related party transactions and conflict of interest situations; *BNM CGP (A1)-9&11*
- (f) Review the accuracy and adequacy of the chairman's statement in the directors' report, corporate governance disclosures, interim financial reports and preliminary announcements in relation to the preparation of financial statements; and *BNM CGP (A1)-10*
- (g) Support the board in ensuring that there is a reliable and transparent financial reporting process within the Company. *BNM CGP (A1)-6*

2. COMPOSITION OF MEMBERS

- (i) The Audit Committee shall comprise at least three members appointed by the Board of Directors based on recommendation by the Nomination Committee. The Committee must comprise non-executive directors, with a majority being independent directors. *BNM CGP-12.3(a)&(b)*
- (ii) The Committee must comprise directors who have the skills, knowledge and experience relevant to the responsibilities of the Committee. *BNM CGP-12.3(d)*
- (iii) The Board shall review the term of office of the AC members no less than once every two (2) years. The appointment terminates when a member ceases to be a Director.
- (v) If the Chairman or a member of the Audit Committee resigns, dies or for any reason ceases to be a member with the result that the number of members is reduced below three (3), the Board shall, within three (3) months appoint such number of new members as may be required to make up the minimum of three (3) members.
- (vii) All members of the Audit Committee shall be financially literate, able to understand matters under the purview of the Audit Committee, including the financial reporting process and at least one member shall be a member of a recognised professional accounting body; *MCCG-Practice 8.5*

- (viii) The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee. *MCCG-Practice 8.2*
- (ix) The Chairman of the Audit Committee is not the Chairman of the board. *BNM CGP-12.4
MCCG-Practice 8.1*

3. THE CHAIRMAN

The Chairman of the Audit Committee shall be an independent director appointed by the Board, based on the recommendation of the Nomination Committee. The Chairman of the Audit Committee should assume, amongst others, the following responsibilities:-

- (i) planning and conducting the Audit Committee meetings;
- (ii) overseeing reporting to the Board;
- (iii) encouraging open discussion during Audit Committee meetings; and
- (iv) developing and maintaining an active ongoing dialogue with senior management and with both the internal and external auditors.

4. ROLE AND RESPONSIBILITIES

The Audit Committee shall be:-

- (a) To consider the appointment or reappointment of the external auditor, the audit fees, to question the resignation or dismissal of the external auditor and to recommend the nomination of the external auditors; *BNM CGP (A1)-8a*
- (b) To assess the suitability, objectivity and independence of the external auditor including by approving the provision of non-audit services by the external auditor; *BNM CGP (A1)-8b
MCCG-Practice 8.3*
- (c) To review annually the External Auditors' audit plans, scope of their audits and their audit reports.
- (d) To review with External Auditors the audited balance sheets and profit and loss accounts of the Company for purposes of approval before the financial statements are presented to the Board for adoption. To discuss problems and reservations arising from interim and final audits, and any matter the auditor may wish to discuss (in the absence of the Management where necessary).
- (e) To review the external auditor's management letter and management's corresponding response in evaluating the Company's and the Group's system of internal controls. To ensure that the Senior Management takes necessary corrective actions to address external audit findings and recommendations in a timely manner. *BNM CGP (A1)-7*
- (f) To assess the effectiveness of the external audit, including meeting the external auditor without the presence of senior management at least annually. *BNM CGP (A1)-8c*

- (g) To maintain regular, timely, open and honest communication with the external auditor, and requiring the external auditor to report to the Audit Committee on significant matters. *BNM CGP (A1)-8d*
- (h) To do the following, in relation to the internal audit function:-
- (i) approve the Internal Audit Charter which defines the independent purpose, authority, scope and responsibility of the internal audit function in the Company;
- (ii) review and appraise annually, the performance and remuneration of the Head of Internal Audit and be consulted in his/her appointment and removal.
- (iii) review and approve the annual Audit Plan on audit work and programme and Budget of the Internal Audit Department and ensure that the department has adequate and competent resources and that the goals and objectives of the audit function commensurate with corporate goals.
- (iv) review the scope, approach and results of internal audit procedures to ensure compliance with internal auditing standards, company policies, laws and other regulatory requirements.
- (v) review the adequacy of the scope, functions, frequency, competency and resources of the internal audit function, and that it has the necessary independence and authority to carry out its work, which should be performed professionally and with impartiality and proficiency; *BNM CGP (A1)-7a*
- (vi) review the key audit reports and ensuring that senior management takes 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; *BNM CGP (A1)-7b*
- (vii) noting significant disagreements between the head of internal audit and senior management team, irrespective of whether these have been resolved, in order to identify any impact the disagreements may have on the audit process on the internal controls; and *BNM CGP (A1)-7c*
- (viii) establishing a mechanism to assess the performance and effectiveness:- *BNM CGP (A1)-7d*
- of the internal audit function;
 - review any appraisal or assessment of the performance of members of the internal audit function;
 - approve any appointment or termination of senior staff members of the internal audit function; and
 - take cognisance of resignations of internal audit staff and provide the staff an opportunity to submit reasons for the resignation.

- (i) Review and monitor the adequacy and integrity of the Company's system of internal controls and management information systems, including systems to ensure compliance with applicable laws, regulations, rules, directives and guidelines. Review third-party opinions on the design and effectiveness of the financial institution's internal control frame, when required. *BNM CGP (A1)-12*
- (j) To consider and evaluate any related party transactions or conflict of interest situations that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity. To monitor compliance with the board's conflicts of interest policy; *BNM CG (A1)-9&11*
- (k) Review Chairman's statements, interim and final financial reports including the preliminary and final announcements to the authorities, of the results of the Company, focusing particularly on:-
- any changes in accounting policies and practices;
 - significant adjustments arising from the audit;
 - the going concern assumption; and
 - compliance with accounting standards and other legal and regulatory requirements.

The above functions are in addition to such other functions as may be agreed to from time to time by the AC and the Board.

5. MEETINGS AND MINUTES OF THE COMMITTEE

- (a) The Audit Committee shall meet at least four (4) times a year and such additional meetings as the Chairman shall decide.
- (b) The quorum for an Audit Committee's Meeting shall be at least two-thirds of the members with Independent Directors forming the majority.
- (c) Notwithstanding paragraph 6(b) above, upon the request of any member of the AC, the Management, or the Internal or External Auditors, the Chairman shall convene a meeting of the Committee to consider the matters brought to its attention.
- (d) The External Auditor have the right to appear and be heard at any meeting of the Committee and shall appear before the Committee when required to do so.
- (e) The Committee may invite any person and/or employee of the Company whom the Committee thinks fit and proper to attend its meeting to assist in its deliberations and resolutions of matters raised.
- (f) The Internal Auditors shall be in attendance at all meetings of the Committee to present and discuss the audit reports of findings and other related matters and the recommendations relating thereto and to follow up on all relevant decisions made.
- (g) The Company Secretary shall act as Secretary of the Committee and shall be responsible, with the concurrence of the Chairman, for

drawing up and circulating the agenda and the notice of meetings together with the supporting explanatory documentation to members prior to each meeting.

- (h) The Secretary of the Audit Committee shall circulate the notice of meeting prior to the Audit Committee Meeting. Reasonable time should be given for Audit Committee members and to other attendees as appropriate, to consider all relevant papers and materials prior to the Audit Committee meeting.
- (i) The Secretary shall be entrusted to record all proceedings and minutes of all Committee's meeting and to circulate the minutes to Committee members and to the other members of the Board of Committee. The Secretary shall be responsible for taking the minutes of meeting, keeping the minutes and to produce the minutes for inspection when necessary.
- (j) In addition to the availability of detailed minutes of the Committee's Meetings to all Board members, the Audit Committee will report a summary of significant matters resolution at each Board Meeting.
- (k) Resolutions, proposals and matters tabled for approvals at the Audit Committee meeting shall be decided by a simple majority of the members present. In the event of equality of votes, the Chairman of the Committee shall have a second or casting vote.

6. RESOLUTIONS AND PROPOSALS BY CIRCULATION

The Committee is allowed to carry out its resolutions by way of circulation. A resolution in writing signed or approve by letter, electronic mail, telegram, telex or telexfax or other form of electronic communication by a simple majority of the Committee, shall be valid effectual as if it had been passed at a meeting of the Committee duly called and constituted.

Where any urgent matter requiring the approval of the Committee arises and it is not possible to convene a meeting, the Company Secretary may obtain such approval by means of a circular resolution. The following conditions must be fulfilled before a decision of the Committee is deemed to be obtained:-

- (a) The issues must be clearly set out in the circular and/or supplementary documents and forwarded to all members of the Committee;
- (b) All members of the Committee must sign the circular resolution;
- (c) Any decision obtained by circular resolution shall be reported by the Company Secretary at the next Committee meeting and be recorded in the minutes thereof.

All such resolutions shall be described as "Members' Written Resolutions" and shall be forwarded or otherwise delivered to the Secretary without delay and shall be recorded by the Secretary in the minutes book.

7. MEETING USING COMMUNICATION TECHNOLOGY

The Committee may meet together for dispatch of business, adjourn, and otherwise regulate their meetings as they think fit by means of any communication technology by which all persons participating in the meeting are able to hear and be heard by all other participants without the need for a Committee to be in the physical presence in the meeting. The Committee participating in any such meeting shall be counted in the quorum for such meeting. All effective as a resolution passed at a meeting in person of the members duly convened and held.

8. AUTHORITY

- (a) The AC shall have free and unrestricted access to:-
 - (i) all information, records and documents relevant to its activities;
 - (ii) both the Internal and External Auditors; and
 - (iii) senior management and employees of the Company.
- (b) The AC shall be authorised to engage, consult and obtain outside legal or other independent professional advise and to secure the attendance of outsiders with relevant experience and expertise it considers necessary.
- (c) Any fraud or irregularities discovered by the Management shall immediately be referred to the Internal Audit Department for investigation and subsequently reported to the AC in respect of the findings and recommendations.

9. INTERNAL AUDIT DEPARTMENT

- (a) The Head of Internal Audit Department shall have unrestricted access to the Committee members and report to the Committee whose scope of responsibility includes overseeing the development and the establishment of the philosophy and culture of the internal audit functions.
- (b) In respect of routine administrative matters, the Head of Internal Audit Department shall report to the Company's Chief Executive Officer.