

**SUN LIFE MALAYSIA TAKAFUL BERHAD**

Registration No. 200501012215 (689263-M)

**CHARTER OF THE AUDIT COMMITTEE****1. Purpose**

The Audit Committee (AC or the Committee) is a standing committee of the Board of Directors (the Board) whose primary functions are to assist the Board with its oversight role with respect to:

- 1.1 The integrity of financial statements and information provided to Shareholders and others.
- 1.2 The Company's compliance with applicable financial and regulatory requirements.
- 1.3 The adequacy and effectiveness of the internal control environment implemented and maintained by Management.
- 1.4 The qualifications, independence and performance of the External Auditors and Chief Internal Auditor who is accountable to the AC, the Board and the shareholders.

**2. Membership**

- 2.1 The Board shall establish the AC comprising:

**Members:**

- at least three directors;
- a majority of independent directors;
- be chaired by an independent director; and
- directors who are financially literate, with knowledge and experience relevant to the responsibilities of the board committee

- 2.2 No member of the AC shall be employed in an executive position with the Company or its related corporations or have a relationship which in the opinion of the Board will interfere with the exercise of independent judgement in carrying out the functions of the Committee.
- 2.3 The members of the AC shall be financially literate. In the Board's judgment, a member of the AC is financially literate if, after seeking and receiving any explanations or information from senior financial management of the Company that the member requires, the member is able to read and understand the consolidated financial statement of the Company to the extent sufficient to be able to intelligently ask, and to evaluate the answers to, probing questions about the material aspects of those financial statements.
- 2.4 The AC membership is reviewed annually by the Nomination and Nomination Committee (NRC) to ensure the AC as a whole includes members with the experience and expertise required to fulfil the Committee's mandate and that the financial literacy requirement is met.

**2 Structure and Operations****3.1 Frequency of Meetings**

A meeting of the Committee may be called at any time by the Chairman of the Board or by the AC Chairman. In addition, the AC Chairman shall call a meeting of the Committee if requested to do so by any member of the Committee, the Management or the Internal or External Auditors. The Committee meets as frequently as necessary, as but not less than four times a year.

In absence of a meeting, issues shall be resolved by way of circular resolutions. The circular resolutions may consist of several documents in the same form, each executed by one or more of the members of the Committee. Any such resolutions may be transmitted by the members of the Committee via facsimile transmission or email to the Secretary.

### **3.2 Quorum**

The quorum at any meeting of the Committee shall be at least two thirds of the members with independent directors forming the majority and the meetings must be constituted so that the requirements of the Islamic Financial Services Act 2013 and the relevant Guidelines and Regulations issued by Bank Negara Malaysia are met.

All decisions at meetings of the AC shall be decided by a simple majority with the exception of the following matters which shall be decided unanimously:

- The appointment or change of the External Auditors or Company Secretary of the Company; and
- The adoption of the financial statements of the Company

In case the Chairman of the Committee is on leave or unable to exercise his powers for any cause, the Chairman shall appoint any Member of the AC to act on his behalf. In the absence of such an appointment, the Members of the AC shall elect from amongst themselves one person to act on behalf of the Chairman.

### **3.3 Secretary**

The Company Secretary or a representative from the Company Secretarial Department shall act as Secretary of the AC.

### **3.4 Private Session**

The Committee holds a private session at each regularly scheduled meeting with the Chief Internal Auditor and at least twice a year with the representative of the External Auditors and these individuals have unrestricted access to Committee members at any time during the financial year.

## **4 Duties and Responsibilities**

### **4.1 Financial Reporting**

4.1.1 Reviews with Management and the External Auditors and makes recommendations to the Board on the approval of:

- a) the interim unaudited financial statements including the notes thereto; and
- b) the annual audited financial statements including the notes thereto.

4.1.2 In conducting its review of the annual financial statements:

- a) discusses with the External Auditors any significant changes that are required in the external audit plan, any significant issues raised with management during the course of the audit or review, including any restrictions on the scope of activities or access to information; and those matters that are required to be discussed under the International Standards on Auditing (ISA);
- b) receives a report from management of their review of financial statements;

- c) assures itself that the External Auditors is satisfied that the accounting estimates and judgements made by management, and management's selection of accounting principles, reflect an appropriate application of generally accepted accounting principles;
- d) seeks assurances from the External Auditors that the financial statements, including the notes thereto, fairly present the financial position, results of operations and cash flows of the Company;
- e) discusses with the Appointed Actuary the parts of the annual audited consolidated financial statements prepared by the officer;
- f) reviews with management and the External Auditors the Company's principal accounting practices and policies; and
- g) considers emerging industry, regulatory and accounting standards and the possible impact on the Company's principal accounting practices and policies.

## **4.2 External Auditors**

- 4.2.1 The AC is responsible for the appointment of the External Auditors having particular regard to the External Auditor's objectivity, performance and independence.
- 4.2.2 Reviews the independence of the External Auditors, including the requirements relating to such independence of the laws governing the Company and the applicable financial legislative and regulatory requirements.
- 4.2.3 Assesses the performance of the External Auditors and recommends to the Board the appointment or, if so determined by the Committee, the replacement of the External Auditors, subject to the approval of the shareholders.
- 4.2.4 Determines, reviews and approves the services to be performed by the External Auditors and the fees to be paid to the External Auditors for audit, audit-related and other services permitted by law.
- 4.2.5 Reviews with the External Auditors and management the overall scope of the annual audit plan, quality control procedures and the resources that the External Auditors will devote to the audit.
- 4.2.6 Reviews and monitors the relationship with the External Auditors. At least once in every five (5) years, the Committee shall assess the merits for a rotation of the External Auditor, and if so determined by the Committee, to recommend to the Board, the continuation of service of the External Auditor or the appointment of a new External Auditor.
- 4.2.7 Reviews with the External Auditors any regulatory investigations that pertain to the External Auditors.
- 4.2.8 Investigates reasons for any request made by management to dismiss the External Auditors, or any resignation by the External Auditors. The results of the investigation should be disclosed to the Board together with the recommendations on the proposed actions to be taken.

## **4.3 Internal Audit**

- 4.3.1 The Chairman of the AC is consulted in advance in connection with the appointment, reassignment, replacement and dismissal of the Chief Internal Audit. The Chairman of the AC is consulted annually on the performance assessment and compensation awarded to the Chief Internal Auditor.

4.3.2 The Audit Committee is to ensure on an on-going basis that the internal audit department has adequate and competent resources, given the size and complexity of the insurer's operations. The AC shall approve the appointment, remuneration, performance evaluation, removal and redeployment of the Chief of Internal Auditor and senior officers of the internal audit functions and be informed of any resignation of the internal audit staff and reasons thereof and provide resigning staff with an opportunity to submit reasons for their resignation.

4.3.3 Reviews with management and the Chief of Internal Auditor:

- a) The overall scope of the annual internal audit plan, including the extent of coordination and reliance placed on it in with the External Auditor's audit plan, and the adequacy of the resources available to the Chief of Internal Auditor; and
- b) The effectiveness of the internal control procedures.

#### **4.4 Audit and Control Functions**

4.4.1 Requires management to implement and maintain appropriate internal control procedures, and reviews, evaluates and approves the procedures.

4.4.2 Reviews management's reports on the effectiveness of the Company's disclosure controls and procedures and its internal control over financial reporting.

4.4.3 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.

4.4.4 Noting significant disagreements between the Chief Internal Auditor the External Auditors, the other control functions and the rest of the management team, irrespective of whether these have been resolved, in order to identify any impact the disagreements may have on the audit process or findings.

4.4.5 Review third-party opinions on the design and effectiveness of the Company's internal control framework.

4.4.6 Ensuring the effectiveness of the internal technology and function. This includes ensuring the adequate competence of the audit staff to perform technology audits. The AC shall review and ensure appropriate audit scope, procedures and frequency of technology audits and must also ensure effective oversight over the prompt closure of corrective actions to address technology control gaps

#### **4.5 Governance**

4.5.1 Reviews and approves changes to the statement of mandate, responsibility and authority of Internal Audit.

4.5.2 Ensures that the Chief Internal Auditor has adequate authority, independence and resources to perform the Internal Audit mandate.

4.5.3 Ensures that an independent review of the Internal Audit function is conducted as needed.

4.5.4 Discusses with the External Auditors if necessary, on the impact of the finance and control-related aspect of the material transactions that are being proposed by the Company.

- 4.5.5 Reviews and discusses with the External Auditors and Appointed Actuary on such reports and regulatory returns of the Company as may be specified by law.
- 4.5.6 Reviews matters within its mandate that are addressed in the regular examination and similar reports received from regulatory authorities including management's responses and recommendations.
- 4.5.7 Discusses the qualifications for and determines whether a member of the Committee is a financial expert and in conjunction with the NRC ensures the on-going financial literacy of Committee members.
- 4.5.8 Reviews update and monitor any related-party transactions and conflicts of interest situations that may arise within the Company including any transaction, procedure or conduct that raises questions of management integrity.

#### **4.6 Other**

- 4.6.1 Performs such other duties and exercises such other powers as may, from time to time, be assigned to or vested in the Committee by the Board, and such other functions as may be required of an audit committee by law and regulations.
- 4.6.2 On an annual basis, the Committee shall review the Charter and where necessary, recommend for changes, where deem fit to the Board for approval. The Committee shall undertake a review with the Board an annual performance evaluation of the Committee.
- 4.6.3 The AC, in consultation with the Chairman of the Board, may engage any special advisors it deems necessary to provide independence advice, at the expense of the Company.

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