

**HONG LEONG ASSURANCE BERHAD (“HLA”)  
- BOARD AUDIT & RISK MANAGEMENT COMMITTEE****TERMS OF REFERENCE****Audit****External Audit**

1. To make recommendations to the Board on the appointment, removal and remuneration of the external auditor.
2. To review the terms of engagement and the audit plan prior to engaging the external auditors and/or re-appointment of the external auditors.
3. To monitor and assess the independence of the external auditor, including the approval of non- audit services by the external auditor.
4. To review the assistance given by the officers of the Company to the external auditor.
5. To maintain regular, timely, open and honest communication with the external auditor, and requiring the external auditor to report to the BARMC on significant matters.
6. To review the report of the external auditor, including any significant matters, and to ensure that management has taken the necessary corrective actions in a timely manner to address the external audit findings and recommendations.
7. To review third-party opinions on the design and effectiveness of the Company’s internal control framework.

**Financial Reporting**

1. To review the accuracy and adequacy of the chairman’s statement (if any) in the directors’ report, corporate governance disclosures, interim financial reports and annual financial statements.

**Related Party/Connected Party Transactions**

1. To review and update the Board on any related party transactions involving the Company.
2. To monitor compliance with the Board’s conflict of interest policy.

**Internal Audit**

1. To review and approve the adequacy of the internal audit scope, procedures, plan, and assess the performance and effectiveness of the internal audit function.
2. To review the adequacy and effectiveness of internal controls and risk management processes.
3. To review reports and significant findings by internal audit function, including any findings of internal investigations, and to ensure that management has taken the 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. To review reports and findings issued by regulatory authorities, and to check that management has taken the necessary corrective actions in a timely manner to address control weaknesses, non-compliance with laws, regulatory requirements, policies and other problems identified by the regulatory authorities.
5. To support the Board in meeting the expectations on internal audit management as set out in BNM's policy document, "Guidelines on Internal Audit Function of Licensed Institutions".
6. To decide on the appointment, remuneration, appraisal, transfer and dismissal of the Head of Insurance Audit, and to provide oversight on the adequacy of resources and remuneration of the internal auditors. This includes a regular review to determine whether the internal audit function has appropriate standing within the Company to undertake its activities independently and objectively.
7. To engage privately with the Head of Insurance Audit on a regular basis (and in any case at least twice annually) to provide the opportunity for the Head of Insurance Audit to discuss issues faced by the internal audit function.
8. To review the Audit Charter and recommend for Board approval.
9. Other audit functions as may be agreed to by the BARMC and the Board.

### **Risk Management**

1. To review management's activities in managing principal risks such as credit, market, liquidity, operational, compliance, insurance and IT risks , and the risk management process.
2. To review management's reporting to the Board on measures taken to:
  - a) Identify and examine principal risks faced by the Company.
  - b) Implement appropriate systems and internal controls to manage these risks.
3. To review management's major risk management strategies, policies and risk tolerance for Board's approval.
4. To review management's overall framework on the Internal Capital Adequacy Assessment Process ("ICAAP"), annual risk appetite, Individual Target Capital Level ("ITCL") and Capital Management Plan for Board's approval.
5. To review management's development and effective implementation of the ICAAP.
6. To review management's stress testing governance including the evaluation on the capital stress test scenarios, parameters, key assumptions and results.
7. To review management's periodic reports on risk appetite, risk exposure, risk portfolio composition, stress testing and risk management activities.
8. To review the adequacy and effectiveness of management's internal controls and risk management process.
9. To review the adequacy of risk management policies and frameworks in identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively.

10. To review risk management function's infrastructure, resources and systems and that the staff responsible for implementing risk management systems perform those duties independently of the Company's risk taking activities.
11. To receive reports from pertinent management committee.
12. To review management's implementation of risk management as set out in BNM's policy document on Risk Governance and Corporate Governance.
13. To review and advise on the appointment, remuneration, removal and redeployment of the Chief Risk Officer.
14. To engage privately with the Chief Risk Officer on a regular basis (and in any case at least twice annually) to provide the opportunity for the Chief Risk Officer to discuss issues faced by the risk management function.
15. To review management's implementation of the remuneration system on whether incentives provided by the remuneration system take into consideration risks, capital, liquidity and the likelihood and timing of earnings, without prejudice to the tasks of the Board Remuneration Committee.
16. Other risk management functions as may be agreed to by the BARMC and the Board.

### **Compliance**

1. To assist the Board in the oversight of the management of compliance risk by :
  - a) reviewing compliance policies and overseeing management's implementation of the same;
  - b) reviewing the establishment of the compliance function and the position of the Chief Compliance Officer /Head of Compliance ("CCO") to ensure the compliance function and CCO are provided with appropriate standing, authority and independence;
  - c) discussing and deliberating compliance issues regularly and ensuring such issues are resolved effectively and expeditiously;
  - d) reviewing annually the effectiveness of the Company's overall management of compliance risk, having regard to the assessments of senior management and internal audit and interactions with the CCO;
  - e) updating the Board on all significant compliance matters, including providing its views on (a) to (d) above.
2. In relation to the role of the CCO, support the Board in meeting the expectations on compliance management as set out in BNM's policy document on Compliance by:
  - a) reviewing and advising on the appointment, remuneration, removal and redeployment of the CCO;
  - b) ensuring that CCO has sufficient stature to allow for effective engagement with the CEO and other members of senior management;

- c) engaging privately with the CCO on a regular basis (and in any case at least twice annually) to provide the opportunity for the CCO to discuss issues faced by the compliance function;
  - d) ensuring that the CCO is supported with sufficient resources to perform his duties effectively;
  - e) where CCO also carries out responsibilities in respect of other control functions, the BARMC shall be satisfied that a sound overall control environment will not be compromised by the combination of responsibilities performed by the CCO.
3. Other compliance functions as may be agreed to by the BARMC and the Board.

### **Group Governance**

1. Noted that :
- (a) Hong Leong Financial Group Berhad (“HLFG”) and HLA Holdings Sdn Bhd (“HLAH”) are both apex entities (“Apex Entities”) and have overall responsibility for ensuring the establishment and operation of a clear governance structure within their respective group of companies (“Group”).
  - (b) The respective Apex Entities’ Boards responsibility is to promote the adoption of sound corporate governance principles throughout the Group.
  - (c) The Apex Entities’ audit, risk and compliance functions may propose objectives, strategies, plans, governance framework and policies for adoption and implementation Group-wide.
  - (d) The respective subsidiaries’ board and senior management must validate that the objectives, strategies, plans, governance framework and policies set at the Apex Entities level are fully consistent with the regulatory obligations and the prudential management of the subsidiary and ensure that entity specific risks are adequately addressed in the implementation of Group-wide policies.
2. The BARMC shall validate that the objectives, strategies, plans, governance framework and policies set at the Apex Entities level are fully consistent with the regulatory obligations and the prudential management of the subsidiary and to check that the entity specific risks are adequately addressed in the implementation of Group-wide policies.