



Chubb Insurance Malaysia Berhad
Registration No: 197001000564 (9827-A)

Terms of Reference
Board Audit Committee

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Terms of Reference of the Board Audit Committee

Introduction

- 1.1 The Board Audit Committee (“**BAC**”)’s primary function is to assist the Board in meeting its responsibilities for the oversight of:-
- The Company’s accounting and financial reporting process and practices;
 - The Company’s system of risk management and internal controls;
 - The Company’s internal and external audit process; and
 - Conflict of interest situations and related party transactions involving the Company.
- 1.2 In addition, the BAC shall:
- Oversee and appraise the quality of the audits conducted both by the Company’s internal auditors and External Auditors including issues pertaining to the internal control framework within the Company;
 - Maintain open lines of communication between the Board, the internal auditors and the External Auditors for the exchange of views and information, as well as to confirm their respective authority and responsibilities; and
 - Determine the adequacy of the Company’s administrative, operating and accounting controls.

Interpretation

- 2.1 The following definitions shall apply:

“**BNM**” refers to Bank Negara Malaysia.

“**Board**” refers to the Directors of the Company whose number is not less than the required quorum acting as a Board of Directors, as stipulated in the Constitution of the Company.

“**Bursa Securities**” refers to Bursa Malaysia Securities Berhad [Registration No. 200301033577 (635998-W)].

“**Country President**” refers to the Chief Executive Officer (“**CEO**”) of the Company or by whatever name called.

“**Chairman**” refers to the Chairman of the Board and is used in a gender neutral sense.

“**Chubb**” or “**Company**” refers to Chubb Insurance Malaysia Berhad [Registration No: 197001000564 (9827-A)].

“**Company Secretary**” refers to the Board secretary(ies) or the person(s) normally exercising the functions of a Board secretary.

“**Constitution**” refers to the Constitution adopted by the Company as originally framed or as altered from time to time by way of passing a special resolution.

“**Control Function**” refers to a function that has a responsibility independent from business lines to provide objective assessment, reporting and assurance on the effectiveness of the Company’s policies and operations, and its compliance with legal and regulatory obligations. This includes the risk management function, the compliance function and the internal audit function.

“Director” refers to a person who has been appointed and for the time being holds office as a Director of the Company by whatever name called in accordance with the provisions of the CA 2016, Financial Services Act 2013 (**“FSA 2013”**) and the Constitution.

“Executive Director” refers to a Director of the Company who has management responsibilities in the Company or any of its affiliates.

“External Auditor” refers to the auditor of the Company that has been appointed pursuant to Section 67 of the Financial Services Act 2013.

“Independent Director” refers to the definition in accordance with Paragraph 1.01 of the MMLR of Bursa Securities, Practice Note 13 of the MMLR and Paragraph 11.7 of the Corporate Governance policy issued by BNM.

“Internal Control Framework” refers to the set of rules and controls governing the Company’s organisational and operational structure, including reporting processes and Control Functions.

“MMLR” refers to the Main Market Listing Requirements of Bursa Securities, as amended from time to time and any re-enactment thereof.

“Senior Management” refers to the Country President / CEO and Senior Officers.

“Senior Officers” refers to a person performing a senior management function whose primary or significant responsibility is for the management and performance of significant business activities of the Company.

Words importing the singular shall, where applicable, include the plural and vice versa, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders.

Composition of the BAC

- 3.1 The BAC shall be appointed by the Board from among their numbers (pursuant to a resolution of the Board) which fulfils the following requirements:
- (a) Consist of a minimum of three (3) Directors;
 - (b) All members of the BAC including the Chairman must be Independent Directors;
 - (c) The Chairman of the Board shall not be a member of the BAC; and
 - (d) At least one member of the BAC:-
 - (i) Must be a member of the Malaysian Institute of Accountants; or
 - (ii) If he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years’ working experience and:
 - He must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountant Act 1967; or
 - He must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
 - He must be a person who fulfils the requirements as prescribed or approved by Bursa Securities.

- 3.2 All members of the BAC should be financially literate and are able to understand matters under the purview of the BAC including the financial reporting process. All members of the BAC should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.
- 3.3 In the event of any vacancy in the BAC (including Chairman), the vacancy must be filled within three (3) months of that event.
- 3.4 For engagement of a former partner of an external audit firm as member of the BAC, there must be a cooling-off period of at least three (3) years to be observed before such former External Auditor can be appointed as a member of the BAC.
- 3.5 The appointment of the BAC member would be terminated when the member ceases to be a Director, or as determined by the Board.
- 3.6 The Board must, via the Board Nominating Committee (“BNC”), review the term of office and performance of the BAC and each of its members annually to determine whether the BAC and members have carried out their duties in accordance with the Terms of Reference.

Chairman

- 4.1 The Chairman of the BAC shall be an Independent Director elected amongst the members of the BAC. In the absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst themselves.
- 4.2 The Chairman together with other members of the BAC must ensure that:-
- The BAC is fully informed about significant matters related to the Company’s audit and its financial statements, and addresses these matters;
 - The BAC appropriately communicates its insight, views and concerns about relevant transactions and events to internal and External Auditors;
 - The BAC’s concerns on matters that may have an effect on the financial or audit of the Company is communicated to External Auditors; and
 - There is co-ordination between internal and External Auditors.
- 4.3 The Chairman should engage on a continuous basis with the Executive Director and Senior Management, such as the Country President, the Chief Financial Officer, the internal auditors and the External Auditors in order to be kept informed of matters affecting the Company.

Quorum and Meeting Procedures

- 5.1 The Chairman may call for a meeting of the BAC if a request is made by any BAC member, the Company’s Executive Director, Country President, the Senior Management or the internal or External Auditors.
- 5.2 No business shall be transacted at any meeting of the BAC unless a quorum is present. The quorum of the BAC shall be at least the majority of members who are Independent Directors.
- 5.3 Only members of the BAC have the right to attend BNC meetings. However, the Chief Financial Officer, internal audit and External Audit lead partner will be invited to attend meetings of the BAC on a regular basis and other non-members may be invited to attend all or part of any meeting as and when appropriate and necessary to be determined by the BAC Chairman.
- 5.4 All meetings of the Board will be conducted in accordance with the Constitution of the Company and applicable laws / regulations.

Company Secretary

- 6.1 The Company Secretary or other appropriate senior official shall act as secretary of the BAC and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it within a reasonable period prior to the meeting supported by explanatory documentation to the BAC members prior to each meeting.

Duties and Responsibilities

- 7.1 The duties and responsibilities of the BAC shall include, but are not limited to the following:
- (a) Supporting the Board in ensuring that there is a reliable and transparent financial reporting process within the Company.
 - (b) Overseeing the effectiveness of the internal audit function of the Company. At a minimum, this shall include:
 - (i) Reviewing and approving the audit scope, plan, procedures, resources and independence of the internal audit function;
 - (ii) Reviewing key audit reports and ensuring that Executive Director and Senior Management is taking necessary corrective actions in a timely manner to address or control weaknesses, non-compliance with laws, regulatory requirements, policies and other problems identified by internal audit and other Control Functions;
 - (iii) Noting significant disagreements between the Head of Internal Audit and the Executive Director and/or Senior 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; and
 - (iv) Establishing a mechanism to assess the performance and effectiveness of the internal audit function.
 - (c) Fostering a quality audit of the Company by exercising oversight over the External Auditor, in accordance with the expectations set out in BNM's Policy Document on External Auditor. At a minimum, this shall include:
 - (i) Making recommendations to the Board on the appointment, removal and remuneration of the External Auditor;
 - (ii) Monitoring and assessing the independence of the External Auditor including approving the provision of non-audit services by the External Auditor;
 - (iii) Monitoring and assessing the effectiveness of the External Auditor, including by meeting with the External Auditor without the presence of Executive Director and Senior Management at least annually;
 - (iv) Maintaining regular, timely, open and honest communication with the External Auditor, and requiring the External Auditor to report to the BAC on significant matters;
 - (v) Ensuring that Executive Director and Senior Management is taking necessary corrective actions in a timely manner to address external audit findings and recommendations;
 - (vi) Overseeing compliance with relevant regulations and policies regarding external audit;

- (vii) Reviewing and approve the external audit plan, scope, and coordination if multiple audit firms are involved; and
- (viii) Reviewing significant external audit findings, reservations, difficulties, and management's responses.
- (d) Reviewing and updating the Board on all related party transactions and conflict of interest situations.
- (e) Ensuring transactions are conducted at arm's length, on fair and reasonable terms, and comply with regulatory requirements.
- (f) Monitoring the Company's procedures for tracking related party transactions and conflicts of interest.
- (g) Reviewing 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.
- (h) Monitoring compliance with the Company's Whistleblowing Policy, Conflict of Interest Policy and Avoiding Bribery and Corruption Policy.
- (i) Reviewing third party opinions on the design and effectiveness of the Company's Internal Control Framework.
- (j) Reviewing the adequacy and effectiveness of the Company's Risk Management and Compliance frameworks.
- (k) Assessing the Company's risk profile and tolerance and overseeing the Company's monitoring of key operational risks.

Authority

- 8.1 The BAC is authorised to investigate any matter within its Terms of Reference and shall have unlimited access to all information and documents relevant to its activities, to the internal and External Auditors, and to employees of the Company.
- 8.2 The BAC shall be kept regularly updated on audit matters and be notified immediately of any fraud and significant irregularities or internal control deficiencies discovered by Executive Director or Senior Management or internal audit.
- 8.3 The BAC shall have access to copies of audit reports (including interim financial audits) on a timely basis and shall be kept regularly informed of corrective actions arising from internal and external audit findings.
- 8.4 The BAC shall be provided with sufficient support and resources required to perform its duties.
- 8.5 The BAC shall have direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity (if any) on a continuous basis in order to be kept informed of matters affecting the Company.
- 8.6 The BAC shall be able to obtain independent professional or other advice as and when necessary, at the expense of the Company.
- 8.7 The BAC shall be able to convene meetings with External Auditors, the persons carrying out the internal audit function, or both (without the presence of Executive Director and Senior Management) at least annually and whenever deemed necessary.

- 8.8 The BAC shall be able to make decision on any matters which fall within its purpose and responsibilities.

Disclosure

- 9.1 The BAC is required to prepare a BAC Report at the end of each financial year for inclusion in the annual report of the Company. The BAC Report shall include the following information:
- Composition of the BAC, including the name, designation (indicating the Chairman) and directorship of the members (indicating whether the Directors are independent or otherwise);
 - Number of BAC meetings held during the financial year and details of attendance of each BAC member;
 - Summary of the work carried out by the BAC in the discharge of its functions and duties for that financial year of the Company and how it has met its responsibilities;
 - Summary of the work of the internal audit function; and
 - A summary of any conflict of interest or potential conflict of interest situation reviewed by the BAC pursuant to paragraph 15.12(1)(h) of the MMLR (excluding a related party transaction), and the measures taken to resolve, eliminate, or mitigate such conflicts.
- 9.2 The BAC shall also assist the Board in making the following additional statements in the Company's annual report:
- Statement explaining the Board's responsibility for preparing the annual audited financial statements of the Company; and
 - Statement about the state of risk management and Internal Control Framework of the Company.

Minutes

- 10.1 The Minutes of meetings of the BAC shall be circulated to all members of the BAC and Board. The minutes shall be kept at the registered office of the Company under the custody of the Company Secretary of the Company and shall be open for inspection by the Board. Any request by Senior Management or other person to inspect the minutes shall be subject to the approval of the BAC.

Reporting Arrangements

- 11.1 The Chairman of the BAC shall report to the Board key deliberations of the BAC and its decisions on delegated matters on a regular basis.
- 11.2 The BAC shall make whatever recommendation to the Board it deems appropriate in any area within its remit where action or improvement is needed.

Annual General Meeting ("AGM")

- 12.1 The Chairman of the BAC should attend the AGM to answer any shareholder questions on the BAC's activities.

Periodic Review

- 13.1 This Terms of Reference shall be reviewed whenever necessary by the BAC. Any revision or amendment to this Terms of Reference, as proposed by the BAC or any third party, shall first be presented to the Board for its approval.

Upon the Board's approval, the said revision or amendment shall form part of this Terms of Reference and this Terms of Reference shall be considered duly revised or amended.

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