
HLA HOLDINGS SDN BHD (“HLAH” or the “Company”)
- GROUP BOARD AUDIT COMMITTEE Constitution

The Group Board Audit Committee (“GBAC”) of HLAH has been established since 13 December 2017.

The GBAC is established to support the Board in discharging the following responsibilities:

1. Oversee management’s implementation of the Company and its subsidiaries’ governance framework and internal control framework/policies.
2. Oversee that management has a reliable and transparent financial reporting process within the Company by providing independent oversight of internal and external audit functions.

Group Governance

1. Noted that :
 - a) Hong Leong Financial Group Berhad (“HLFG”) as an apex entity has overall responsibility for ensuring the establishment and operation of a clear governance structure within its group of companies (“HLFG Group”).
 - b) HLFG Board’s responsibility is to promote the adoption of sound corporate governance principles throughout the HLFG Group.
 - c) HLFG’s audit, risk and compliance functions may propose objectives, strategies, plans, governance framework and policies for adoption and implementation HLFG Group-wide.
 - d) The respective subsidiaries’ board of directors and Senior Management must validate that the objectives, strategies, plans, governance framework and policies set at HLFG 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 HLFG Group-wide policies.
2. The GBAC shall validate that the objectives, strategies, plans, governance framework and policies set at HLFG 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 HLFG Group-wide policies.
3. HLAH, as the financial holding company of the Insurance and Takaful entities of the HLFG Group (“Insurance Group”) shall align the responsibilities as set out in item (1) and (2) above for the Insurance Group.

Composition

The GBAC shall –

- (a) have at least five directors;
- (b) comprise only non-executive directors, with a majority of them being independent directors;
- (c) be chaired by an independent director who is not the Chairman of the Board; and
- (d) comprise directors who have the skills, knowledge and experience relevant to the responsibilities of the GBAC.

Secretary

The Secretary(ies) to the GBAC is the Company Secretary(ies) of the Company.

Terms Of Reference

External Audit

1. To make recommendations to the Board of the Company and its subsidiaries on the appointment, removal and remuneration of the external auditor, where applicable.
2. To review the terms of engagement and the audit plan prior to engaging the external auditor and/or re-appointment of the external auditor.
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 and its subsidiaries to the external auditor, where applicable.
5. To maintain regular, timely, open and honest communication with the external auditor, and requiring the external auditor to report to the GBAC 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 and its subsidiaries' internal control framework, where applicable.

Financial Reporting

1. To review the accuracy and adequacy of the chairman's statement in the directors' report and corporate governance disclosures of the Company and its subsidiaries, where applicable.
2. To review the interim financial reports and annual financial statements of the Company and its subsidiaries before submission to the Board of the Company and its subsidiaries where applicable, focusing particularly on changes in accounting policies and practices, significant adjustments arising from the audit, the going concern assumptions, and compliance with accounting standards and other legal requirements.
3. To note the update on the Company and its subsidiaries tax affairs, management of tax compliance risk and tax matters that may have a material impact to the Company and its subsidiaries.

Related Party/Connected Party Transactions

1. To review and update the Board of the Company and its subsidiaries on any related party transactions that may arise within the Group, where applicable.
2. To monitor compliance with the Board of the Company and its subsidiaries' conflict of interest policy, where applicable.

Internal Audit

1. To review and approve the adequacy of the internal audit scope, procedures, frequency and 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 of the Company and its subsidiaries in meeting the expectations on internal audit management as set out in BNM's "Guidelines on Internal Audit Function of Licensed Institutions".
6. To decide on the appointment, remuneration, appraisal, transfer and dismissal of the Head of Internal Audit, and to provide oversight on the adequacy of resources and remuneration of the internal auditors.
7. To engage privately with the Head of Internal Audit on a regular basis (and in any case at least once annually) to provide the opportunity for the Head of Internal Audit to discuss issues faced by the internal audit function.
8. To review the Audit Charter of the Company and its subsidiaries and recommend for respective Board's approval.
9. To review any significant disagreement between the Head of Internal Audit and any member(s) of the Senior Management team where such disagreement may have adverse impact on the audit process or findings, and to recommend resolutions of such disagreement if they remain unresolved within a reasonable period of time.
10. To establish an appropriate mechanism to address and manage situations where there is a threat to the objectivity of internal audit.
11. To satisfy itself that the internal audit function is effective by establishing a mechanism to assess its performance and effectiveness.
12. To ensure that the terms and scope of the engagement, the working arrangements with the internal auditors and reporting requirements are clearly established when engaging external experts, where the internal audit function lacks the expertise needed to perform the audit of specialized areas.
13. Other audit functions as may be agreed to by the GBAC and the Board of the Company and its subsidiaries.

Whistleblowing

1. In relation to the Company and its subsidiaries' Whistleblowing Policy and Procedures:
 - a) oversee the implementation and effectiveness of the Company and its subsidiaries' Whistleblowing Policy and Procedures; and
 - b) exercise its powers and carry out its responsibilities as set out under the Company and its subsidiaries' Whistleblowing Policy and Procedures.

Authority

The GBAC is authorised by the Board of the Company and its subsidiaries to:

1. review any activity of the Group within its Terms of Reference;
2. seek any information it requires from any Director or member of Senior Management, and all employees are directed to co-operate with any request made by the GBAC, including but not limited to providing the GBAC with sufficient support and resources required to investigate any matter within the mandates of the GBAC; and
3. obtain independent legal or other professional advice if it considers necessary.

The Board remains fully accountable for any authority delegated to the GBAC.

Meetings

The GBAC meets at least six (6) times a year and additional meetings may be called at any time as and when necessary. All meetings to review the quarterly reports and annual financial statements are held prior to such financial updates and annual financial statements being presented to the Board of the Company and its subsidiaries for approval.

The Group Managing Director/Chief Executive Officer, Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Chief Internal Auditor, Chief Compliance Officer, Head of Internal Audit, other Senior Management, employees and external auditors may be invited to attend the GBAC meetings, whenever required.

At least twice a year, the GBAC will have separate sessions with the external auditors without the presence of the management.

Issues raised, discussions, deliberations, decisions and conclusions made at the GBAC meetings are recorded in the minutes of the GBAC meetings. A GBAC member who has, directly or indirectly, an interest in a material transaction or material arrangement shall not be present at the GBAC meeting where the material transaction or material arrangement is being deliberated by the GBAC.

Majority with at least one representative from each of the BNM regulated entities in the HLAH Group in Malaysia, who shall be independent and non-executive, shall constitute a quorum.

After each GBAC meeting, the GBAC shall report and update the Board of each of the BNM regulated entities in the HLAH Group in Malaysia on significant issues and concerns discussed during the GBAC meetings and where appropriate, make the necessary recommendations to the Board of each of the BNM regulated entities in the HLAH Group in Malaysia.

Revision of the Terms of Reference

Any revision or amendment to the Terms of Reference, as endorsed by the GBAC, shall first be presented to the Board of each of the BNM regulated entities in the HLAH Group in Malaysia for approval. Upon the Boards' approval, the said revision or amendment shall form part of this Terms of Reference which shall be considered duly revised or amended.