



AVICENNIA
CAPITAL

AUDIT COMMITTEE TERMS OF REFERENCE

Effective on 22/03/2017

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1.0 INTRODUCTION

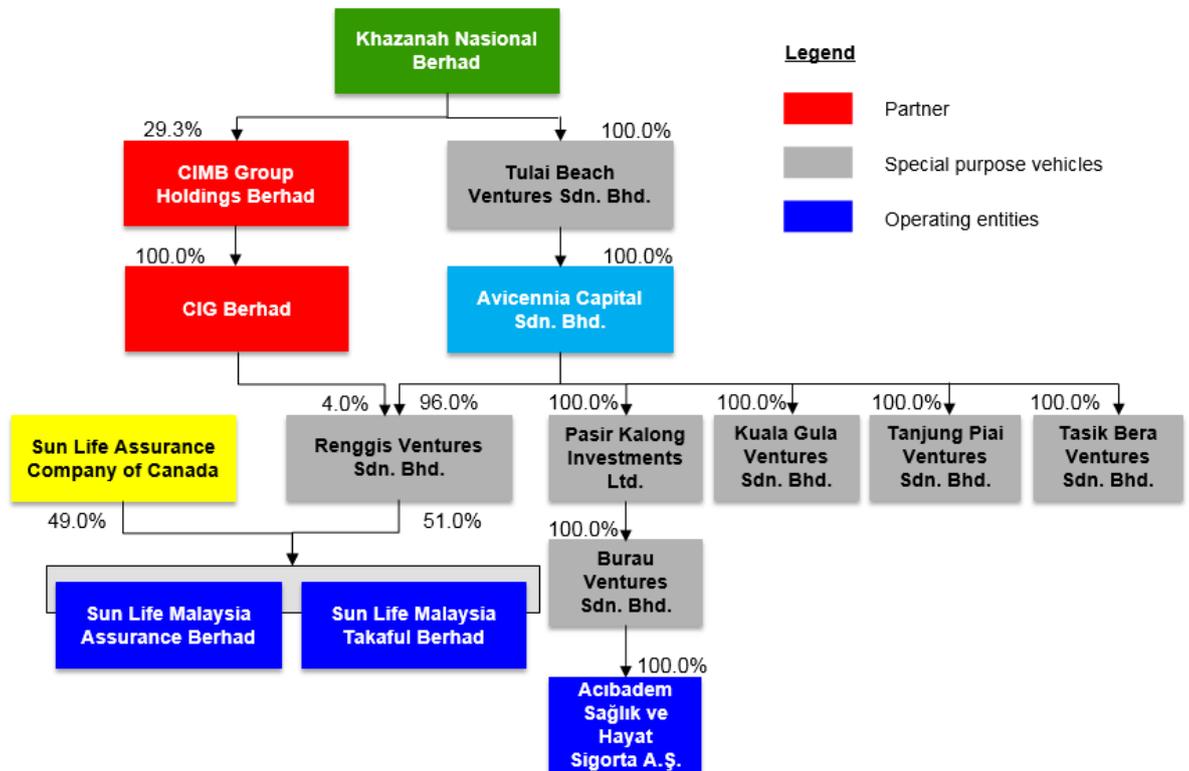
- 1.1 This Audit Committee's Terms of Reference ("TOR") sets out the requirements of the Board of Directors ("Board") of Avicennia Capital Sdn Bhd ("Avicennia") towards the establishment of an Audit Committee ("Committee"), and the delegation of responsibilities to such a Committee, as at the date hereof. *Section 12.1 BNM's Corporate Governance Policy.*
- 1.2 Under section 56(2) of the Financial Services Act 2013 ("FSA") / section 65(2) of the Islamic Financial Services Act 2013, ("IFSA"), the Board of the Financial Holding Company ("FHC") is mandated to ensure and oversee the effective design and implementation of sound internal controls, commensurate with the nature, scale and complexity of the business and structure of the financial group, as well as to ensure that there is a reliable and transparent financial reporting process within the financial group.
- 1.3 The objectives of the Audit Committee are:
- (i) to provide independent oversight of the financial reporting and audit process; and
 - (ii) ensuring adequate checks and balances as well as systems and controls, within Avicennia and its financial group.
- 1.4 The existence of the Committee does not diminish the Board's ultimate statutory and fiduciary responsibility for decision-making relating to the functions and duties of the Committee.
- 1.5 These provisions are complementary to the requirements regarding the Board and Board members contained in:
- (i) the Companies Act 2016, FSA, and IFSA, including any legislation which re-enacts or supersedes any of the foregoing Acts;
 - (ii) the Articles of Association of the Company and Corporate Governance principles set out in the policy documents and guidelines issued by Bank Negara Malaysia ("BNM");
 - (iii) The Malaysian Code on Corporate Governance 2012, which provides Principles and Recommendations promulgating good corporate governance practices and accountability of companies and their Board of Directors; and
 - (iv) The Corporate Governance Guide - Towards Boardroom Excellence, 2nd Edition ("the Guide") issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia") in 2013 which is designed to help Directors understand their roles and duties to the Company and its stakeholders.
- 1.6 This TOR has been endorsed by the Board and will be reviewed periodically by the Board, to ensure that Avicennia remains at the forefront of best practices in corporate governance.



2.0 BACKGROUND

2.1 Avicennia, a wholly owned subsidiary of Khazanah Nasional Berhad, was incorporated on 17 January 2013. Avicennia is principally an investment holding company specialising in acquiring, holding, and where appropriate or strategic, divesting of, financial institutions, in particular insurance and takaful companies, in Malaysia and other growth markets. At present, Avicennia holds two licensed entities in Malaysia, i.e. Sun Life Malaysia Assurance Berhad, a life insurance company and Sun Life Malaysia Takaful Berhad, a takaful operator. It also holds 100% equity interest in Acibadem Saglik ve Hayat Sigorta A.S, an insurance company in Turkey.

2.2 The group structure of Avicennia is set out below:



2.3 Avicennia has been approved by BNM to be a FHC with effect from 19 November 2014 under the FSA and the IFSA. As a FHC, Avicennia is subject to Part VII of the FSA and Part VIII of the IFSA. It is also made subject to the prudential requirements under Part V of the FSA and Part VI of the IFSA by order of the Minister.



3.0 AUDIT COMMITTEE

3.1 KEY RESPONSIBILITIES

3.1.1 The Audit Committee shall carry out, inter alia, the following responsibilities and shall have the following powers, roles and functions as required by BNM under its Corporate Governance Guidelines including:

- (i) Support the Board in ensuring that there is a reliable and transparent financial reporting process; *Appendix 1, BNM's Corporate Governance Policy.*
- (ii) To review the internal audit plan, scope, procedures and frequency; *Appendix 1, BNM's Corporate Governance Policy.*
- (iii) To review key audit reports and to ensure that senior 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; *Appendix 1, BNM's Corporate Governance Policy.*
- (iv) Review, where necessary, with the Management and the external auditors the results of the external audit which impact the financial results of the FHC or its financial group; *Previous Avicennia's AC TOR.*
- (v) Before the publication of financial statements and reports, review the annual and semi-annual financial statements and reports with the Management and the external auditors and consider whether such statements and reports are complete and consistent with the information available to the Audit Committee members; *Previous Avicennia's AC TOR.*
- (vi) Review and assess the accuracy and completeness of the information in the annual report and related regulatory documents before submission to BNM, the Companies Commission of Malaysia or other regulatory authority; *Previous Avicennia's AC TOR.*
- (vii) Review the scope of the internal audit programme, internal audit findings and to recommend actions to be taken by management; *Previous Avicennia's AC TOR.*
- (viii) Ensure the independence of the internal audit function; *Previous Avicennia's AC TOR.*
- (ix) Ensure there are no unjustified restrictions or limitations on the internal auditors' activities or access to information and records; *Previous Avicennia's AC TOR.*
- (x) Ensure that the internal audit function is adequately resourced and staffed with competent and well-trained employees; *Previous Avicennia's AC TOR.*
- (xi) On a regular basis, meet separately with the Head of Internal Audit to discuss any matters that the Audit Committee or internal audit believes should be discussed privately; *Previous Avicennia's AC TOR.*
- (xii) Review the effectiveness of internal controls and risk management processes, including information technology security and control; *Previous Avicennia's AC TOR.*
- (xiii) Review provisions for impairment of assets as well as overseeing the impairment testing process established by the Management in ensuring the carrying value of the financial instruments, physical and non-physical assets is not significantly mis-stated; *Previous Avicennia's AC TOR.*
- (xiv) Select external auditors for appointment and to recommend their appointment and compensation to the Board or, where necessary, their removal; *Previous Avicennia's AC TOR.*



- (xv) Assess objectively, the performance and independence of the external auditors (by reviewing and assessing the various relationships between the external auditor and Avicennia or its financial group); *Previous Avicennia's AC TOR.*
- (xvi) Review the external auditors' management letter and response; *Previous Avicennia's AC TOR.*
- (xvii) Regularly review the external audit findings and ensuring that issues are being managed and rectified appropriately and in a timely manner; *Previous Avicennia's AC TOR.*
- (xviii) Review the effectiveness of monitoring system for compliance with laws, regulations and BNM requirements; *Previous Avicennia's AC TOR.*
- (xix) Review the findings of any examinations by BNM or other regulatory agencies, and any observations or suggestions of internal and external auditors; *Previous Avicennia's AC TOR.*
- (xx) Review all related party transactions are at arm's length basis before being tabled before the Board for approval; *Previous Avicennia's AC TOR.*
- (xxi) Attend adequate amount of training annually designed to enable the Audit Committee members to better fulfil their responsibilities; *Previous Avicennia's AC TOR.*
- (xxii) Review the operating and capital expenditure budget with Management; and *Previous Avicennia's AC TOR.*
- (xxiii) Review the accuracy and adequacy of the Chairman's statement in the Directors' report, corporate governance disclosures, and interim financial reports in relation to the preparation of financial statements. *Appendix 1, BNM's Corporate Governance Policy.*
- (xxiv) Engage with the external auditors to foster a quality audit in accordance with the expectations as per BNM's External Auditor Guidelines. At a minimum, this shall include: *Appendix 1, BNM's Corporate Governance Policy.*
- making recommendations to the Board on the appointment, removal and remuneration of the external auditor;
 - monitoring and assessing the independence of the external auditor including by approving the provision of non-audit services by external auditor;
 - monitoring and assessing the effectiveness of the external audit, including by meeting with external auditor without the presence of Senior Management at least twice a year;
 - maintaining regular, timely, open and honest communication with the external auditor, and requiring the external auditor to report to the Audit Committee on significant matters; and
 - ensuring that Senior Management is taking necessary corrective actions in a timely manner to address external audit findings and recommendations.;
- (xxv) Monitor compliance with the Board's conflicts of interest process; and *Appendix 1, BNM's Corporate Governance Policy.*
- (xxvi) Review third-party opinions on the design and effectiveness of Avicennia's internal control framework. *Appendix 1, BNM's Corporate Governance Policy.*
- (xxvii) Verify and give assurance that the allocation of shares to the eligible employees under the Long Term Incentive Plan ("LTIP") at the end of each financial year are in compliance with the LTIP By-laws as disclosed to the eligible employees.



- 3.1.2 In discharging its duties, the Committee shall at all times be mindful of the provisions of all applicable laws, regulations and guidelines.

3.2 ACCOUNTABILITY

- 3.2.1 The Committee shall be answerable to the Board and shall periodically report to the Board on the matters relating to the issues and developments relating to its objectives, roles and responsibilities within Avicennia and its financial group as set out in this TOR. *Previous Avicennia's AC TOR.*
- 3.2.2 The Committee shall regularly update the Board about its activities and make appropriate recommendations through:
- copies of minutes of each meeting of the Committee supported by explanatory papers and being circulated to all Board members once endorsed by the Chairman of the Committee;
 - the Chairman of the Committee shall bring to the Board's attention any matter of major importance; and
 - reliability and transparency of the financial reporting process and audit process.
- 3.2.3 The Committee shall be responsible in ensuring that the Company discloses in its annual report the Corporate Governance and, Risk Management and Internal Control Framework for the financial year.
- 3.2.4 The Board requires all Directors to submit a Disclosure of Interest to avoid any conflict between their personal interests and the interests of the Company. In the event of a conflict, either perceived or actual, this Disclosure of Interest shall be submitted to the Chairman of the Committee with a copy to the Company Secretary.

3.3 COMPOSITION

- 3.3.1 The Committee membership and the Chairman of the Committee shall be appointed by the Board, and shall comprise not less than three (3) members and majority of them shall be Independent Non-Executive Directors. *Previous Avicennia's AC TOR.*
- 3.3.2 The size of the Committee is determined by the Board, based on, amongst others, the following considerations:
- (i) the evolving circumstances and needs of Avicennia in terms of its size, scope or geography; *Section 11.4, BNM's Corporate Governance Policy.*
 - (ii) no Executive Director shall be appointed as a member of the Committee.
 - (iii) shall be chaired by an Independent Director; and
 - (iv) other factors such as, the technical knowhow or experience in the relevant industry sector, and the Board's diversity of professional experience, ethnicity, gender and age.
- 3.3.3 Each member of the Committee must:
- have a reasonable knowledge of the Company's operations and performance;
 - have experience or knowledge in fields such as finance, banking, audit, law, investments, insurance, human resources, governance and risk management;



- at a minimum, at least one of the AC member should be familiar with accounting, auditing practices and financial reporting requirements; and
- dedicate the necessary time and attention to the execution of responsibilities and duties of the Committee.

3.3.4 A member of the Committee may at any time resign his/her office by giving a written notice of at least thirty days to the Board. The notice shall be sent to the Company Secretary for attention of the Board. *Previous Avicennia's AC TOR.*

3.3.5 A director shall cease to be a member of the Committee upon his/her resignation/termination as a Director of Avicennia or upon review of the composition of the Committee by the Board from time to time. *Previous Avicennia's AC TOR.*

3.4 AUTHORITY

3.4.1 The Board authorises the Committee, within the scope of its duties and responsibilities set out in this TOR, to: *Previous Avicennia's AC TOR.*

- to investigate any matter within this TOR;
- for full access to, and co-operation by Management;
- for discretion to invite any Director or employee to attend its meetings;
- to have access to reasonable resources to enable the Committee to discharge its functions properly;
- for full and unrestricted access to information;
- to be able to obtain independent professional advice;
- to retain and meet as necessary with independent counsel, accountants or others to advice the Committee or assist in the conduct of an investigation;
- to appoint, set compensation, evaluate performance and decide on the transfer and dismissal of the Head of Internal Audit; and
- to exercise direct authority and supervision over the function of the internal audit department and review its effectiveness and compliance with any BNM requirements.

3.4.2 The Committee may empower one or more of its members to meet or communicate with the external auditors and/or internal auditors independently.

3.5 CHAIRMAN OF THE COMMITTEE

3.5.1 The Chairman of the Committee must be an Independent Director. *Recommendation 2.1 stated in the MCGG 2012 issued by the Securities Commission.*

3.5.2 The Chairman of the Board must not chair the Audit Committee.

3.6 SECRETARY OF THE COMMITTEE

3.6.1 Unless directed otherwise by the Board, the Company Secretary shall be the Secretary of the Committee. *Previous Avicennia's AC TOR.*

3.6.2 The Secretary of the Committee shall be present to record proceedings of the Committee meetings unless his/her absence is required by the Chairman to discuss any matter without the presence of the Company Secretary. *Previous Avicennia's AC TOR.*



- 3.6.3 The Company Secretary of the Committee shall have the following responsibilities: *Previous Avicennia's AC TOR.*
- (i) ensuring meetings are arranged and held accordingly;
 - (ii) assisting the Chairman of the Committee in planning the Committee's activities for the financial year;
 - (iii) drawing up meeting agenda in consultation with the Chairman of the Committee, and circulate the agenda, together with the relevant papers, at least seven (7) days prior to each of the Committee meeting;
 - (iv) ensuring structured communication (i.e. formal and prompt reporting) between the Board and the Committee;
 - (v) ensuring proceedings of meetings are minuted and endorsed by the Chairman of the Committee before disseminating them to all Board members; and
 - (vi) ensuring the Committee's recommendations presented to the Board are supported by explanatory papers, including report of the Committee or minutes that explains the rationale of the Committee's recommendations.

3.7 MEETINGS

3.7.1 Frequency and attendance

- (i) The Committee meetings shall be conducted at least four (4) times annually, or more frequently as circumstances dictate.
- (ii) The Chairman of the Committee, in consultation with the Secretary of the Committee, shall determine the frequency of the Committee meeting, and discuss as well as schedule meetings before the beginning of the year with the members of the Committee.
- (iii) In addition to the regular scheduled meeting, the Chairman of the Committee shall call a meeting of the Committee if so requested by any member of the Committee or by the Chairman of the Board.
- (iv) The meetings of the Audit Committee shall be scheduled sufficiently in advance to enable maximum attendance at each meeting.
- (v) Resolutions of the members of the Committee at a meeting or adjourned meeting of the Committee shall be adopted by a majority of votes of all members present. In the event matters requiring the Committee's decision arise between meetings, such matters shall be resolved through circular resolution which shall be supported by relevant papers setting out details of the subject matters. The members of the Committee may obtain more information from Management and express their view points by facsimile, electronic mail or any other means of telecommunication before arriving at a decision on the subject matter. All such resolutions shall be submitted for confirmation at a meeting of the Committee following the passing of the circular resolutions.

Previous Avicennia's AC TOR.



- (vi) The Committee meeting shall normally be conducted in a face-to-face manner to enable effective discussion. Nevertheless, if a member of the Committee is unable to be physically present, the member may choose to participate via video or tele-conferencing, other appropriate means as determined by the Committee. Such member shall be treated as being present for the Meeting including for the purpose of constituting the quorum for the meeting. *Previous Avicennia's AC TOR.*
- (vii) A resolution in writing, signed by all the members of the Audit Committee shall be as valid and effectual as if it had been passed at a meeting of the Committee duly convened and held. Such resolution may consist of several documents in like form in any number of counterparts, each signed by one or more members of the Committee. *Previous Avicennia's AC TOR.*
- (viii) A Committee may determine for any particular reason or on a particular occasion that the decisions of the Committee would be by vote. *Previous Avicennia's AC TOR.*
- (ix) The Chief Executive Officer ("CEO"), any Senior Management and the Head of Internal Audit or any other employee and/or external parties may attend the meetings upon invitation of the Committee.
- (x) Any of the Committee members or invited participants with conflicting interest shall abstain from the said discussion and must not be physically present during the discussion. A Committee member shall abstain and excuse himself/herself from the Committee meeting during discussions or deliberations of any matter which gives rise to an actual or perceived conflict of interest situation for him/her, including matters regarding related party transactions.
- (xi) The Chairman of the Committee shall exercise the right to request those who are in attendance to leave the room if matters discussed are confidential or may be impaired due to the presence of individuals concerned.
- (xii) The Committee may act notwithstanding any vacancy in its membership and its proceedings and meetings shall not be invalidated by:
- the absence of any member;
 - any defect afterwards discovered in the appointment or qualification of any member or the establishment of the Committee;
 - any omission, defect or irregularity in the convening or conduct of a meeting; or
 - the presence or participation of a person who is not a member of the Committee.

3.7.2 Quorum

- (i) In order to form a quorum for the Committee meeting, at least two (2) of the members of the Committee must be present at the Committee meeting, with a majority of Independent Directors. *Previous Avicennia's AC TOR.*
- (ii) In the absence of the Chairman of the Committee, the members present shall elect a Chairman for the meeting from amongst the members present. *Previous Avicennia's AC TOR.*

3.7.3 Notice and agenda

- (i) The agenda and notice of meetings together with supporting explanatory documentation shall be circulated to all members of the Committee in sufficient time prior to each meeting. *Previous Avicennia's AC TOR.*



- (ii) Proper notice shall be issued for the Committee's meeting and the Chairman shall ensure that proper agenda is prepared for the Committee meeting.
- (iii) The agenda and relevant papers for the Committee meeting must be circulated at least seven (7) days prior to each of the Committee meeting.

3.7.4 Minutes of the meeting

- (i) Any advice given by any member, the deliberations and decisions of a meeting of the Committee including any dissenting views of members or any result of any vote under paragraph 3.7.1 (viii) shall be recorded in the minutes of the meeting. The minutes of a meeting of the Committee shall be tabled at the next meeting of the Board immediately following that meeting of the Committee. The Chairman of the Committee shall also present the salient issues and decisions of the meeting at that Board meeting.
- (ii) The discussions and conclusions of the Committee meetings shall be minuted, in a clear, accurate, consistent, complete and timely manner.
- (iii) Keeping of the minutes must comply with the requirements of the relevant laws and regulations, e.g. Companies Act 2016 and Income Tax Act 1967.
- (iv) Reproduction of any part of the minutes can only be through/by the Company Secretary.

*Previous Avicennia's
AC TOR.*

4.0 THE COMMITTEE'S PERFORMANCE

- 4.1 On an annual basis, the Board shall evaluate the Committee's performance and extent to which the Committee has met the requirements of its TOR. This performance assessment may constitute a part of the annual Board Evaluation Assessment, pertaining to the assessment of Board Committees.

*Section 13.1 BNM's
Corporate
Governance Policy
and
Recommendation 2.2
stated in the MCCG
2012 issued by the
Securities Commission
and Paragraph
15.08A (3) (c) Main
Market Listing
Requirements of
Bursa Malaysia.*

5.0 THE COMMITTEE'S ETHICS AND PROCEDURES

- 5.1 All members of the Committee shall safeguard all internal communications and treat them as strictly private and confidential, and for the use of the Committee members only.
- 5.2 The Committee shall work diligently amongst the members of the Board in performing its assessments and adhere to all applicable laws and regulations, as well as the prescriptions rendered in the Directors' Code of Ethics and Avicennia's Code of Conduct.

6.0 APPLICATION

- 6.1 The principles set out in this TOR are:
 - (i) kept under review and updated as practices on Corporate Governance develop and further guidelines on Corporate Governance are issued by the relevant regulatory authorities; and



- (ii) applied in practice having regard to their spirit and general principles.

6.2 The Committee endeavours to comply at all times with the principles and practices set out in this TOR.

7.0 REVISION OF THE TOR

7.1 Any revision or amendment to this TOR, as proposed by any member, or any third party, shall first be presented to the Board for its approval.

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

