

MANULIFE HOLDINGS BERHAD
(Registration No. 197501003360 (24851-H))
(Incorporated in Malaysia)

**GROUP AUDIT COMMITTEE
TERMS OF REFERENCE**

1. Establishment

- 1.1 The Board of Directors (the “Board”) shall form a committee of directors to perform the role of the Group Audit Committee for Manulife Holdings Berhad and its group of companies (collectively, “Manulife Group”) save and except for Manulife Insurance Berhad.
- 1.2 The written terms of reference for the Group Audit Committee shall provide a clear understanding of the Group Audit Committee’s role. The terms of reference shall be made available to Board members, management and internal auditors of Manulife Group.

2. Composition of the Group Audit Committee

- 2.1 The Group Audit Committee members shall be appointed by the Board from amongst its members and should be composed of no fewer than three (3) members, all of whom shall be non-executive directors.
- 2.2 No alternative director shall be appointed as a member of the Group Audit Committee.
- 2.3 No former partner of the external audit of the Manulife Group shall be appointed as a member of the Group Audit Committee before observing a cooling-off period of at least three (3) years. The requirement to observe the cooling-period applies to all former partners of the audit firm and/or the affiliate firm (including those providing advisory services, tax consultant etc).
- 2.4 The Chairman of the Group Audit Committee must be an independent non-executive director appointed by the Board who is not the Chairman of the Board. In the absence of the Chairman of the Group Audit Committee, the members of the Group Audit Committee shall elect a Chairman from amongst themselves.
- 2.5 The members of the Group Audit Committee should be appointed after taking into consideration the recommendations of the Group Nominating/Remuneration Committee. In determining the appropriate size and composition of the Group Audit Committee, the Board should in particular, take into consideration the necessary mix of skills and experience required for the Group Audit Committee to effectively discharge its responsibilities.
- 2.6 The Group Audit Committee shall include at least one (1) person who is a member of the Malaysian Institute of Accountants; or alternatively a person who has at least three (3) years’ working experience and have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967 (“Schedule”) or is a member of one of the associations of accountants specified in Part II of the said Schedule; or fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad (“Bursa Securities”).
- 2.7 The Group Nominating/Remuneration Committee shall review the term of office and performance of the Group Audit Committee and each of its members annually to determine whether such Group Audit Committee and members have carried out their duties in accordance with their Terms of Reference.
- 2.8 If for any reason the number of the Group Audit Committee members at any point in time is reduced to below three (3) and thereby resulting in a breach of the Bursa Securities Main Market Listing Requirements, the vacancy(s) shall be filled within three (3) months from the date of such breach.
- 2.9 A vacancy resulting in the non-compliance with the requirement on the election of an independent Chairman of the Group Audit Committee must be filled within three (3) months.

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3. Qualification, Experience, Knowledge and Skills

- 3.1 Candidates for the Group Audit Committee should have sound judgment, objectivity, an independent attitude, management experience and adequate knowledge of the insurance, fund management and wealth management industries. They should be committed to the task and demonstrate a keen perception of the internal control environment within Manulife Group and an ability to make probing inquiries.
- 3.2 Collectively, the Group Audit Committee should have a wide range of necessary skills to undertake its duties and responsibilities. All Group Audit Committee members should be able to understand the financial reporting process and be financially literate. At a minimum, at least one (1) member of the Group Audit Committee should be familiar with accounting, auditing practices and financial reporting requirements. This individual should be a member of a recognised professional accounting body OR passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967.
- 3.3 In addition, in view of the important role of the Group Audit Committee in ensuring that there are adequate checks and balances within the operations of Manulife Group, all Group Audit Committee members, either individually or collectively, are also expected to be familiar with areas included in the scope of internal audits, which cover insurances, fund management and wealth management.
- 3.4 All members of the Group Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

4. Independence of Group Audit Committee Members

- 4.1 All Group Audit Committee members shall be independent. Where this cannot be achieved, the majority of the Group Audit Committee members.
- 4.2 An independent director should comply with Paragraph 1.01 of the Bursa Securities Main Market Listing Requirements and should not:
 - (a) be an executive director within Manulife Group or any of its related corporation;
 - (b) be majority shareholder (as defined in Bursa Securities Main Market Listing Requirements) in any company within Manulife Group or any of its related corporation;
 - (c) be employed as an officer (except as a independent director) of any company within Manulife Group or any of its related corporation at least three (3) years prior to his appointment date;
 - (d) be a family member of any executive director, officer or major shareholder of any company within Manulife Group or any of its related corporations;
 - (e) act as a nominee or representative of any executive director or major shareholder of any company within Manulife Group or any of its related corporations;
 - (f) be engaged as a professional adviser by any company within Manulife Group or any of its related corporations under such circumstances as prescribed by Bursa Securities or is not presently a partner, director (except as an independent director) or major shareholder, as the case may, of a firm or corporation which provides professional advisory services to any company within Manulife Group or any of its related corporations under such circumstances as prescribed by Bursa Securities; and

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- (g) be engaged in any transaction with any company within Manulife Group or its related corporations under such circumstances as prescribed by Bursa Securities or is not presently a partner, director or major shareholder, as the case may be, of a firm or corporation (other than subsidiaries of any company within Manulife Group) which has engaged in any transaction with any company within Manulife Group or any related corporation under such circumstances as prescribed by Bursa Securities.

5. Authority

- 5.1 The Group Audit Committee should have explicit authority to investigate any matter within its terms of reference and full access to all information and documents relevant to its activities, to the internal and external auditors, and to employees and agents of any company within Manulife Group.
- 5.2 The Chairman of the Group Audit Committee is responsible for the ensuring the overall effectiveness and independence of the Group Audit Committee. The Chairman of the Audit Committee together with other members of the Audit Committee should ensure among others that–
- (a) the Group Audit Committee is fully informed about significant matters related to Manulife Group’s audit and its financial statements and addresses these matters;
 - (b) the Group Audit Committee appropriately communicates its insights, views and concerns about relevant transactions and events to internal and external auditors;
 - (c) the Group Audit Committee’s concerns on matters that may have an effect on the financial or audit of Manulife Group are communicated to the external auditor; and
 - (d) there is co-ordination between internal and external auditors.
- 5.3 The Group Audit Committee should be kept regularly updated on audit matters and be notified immediately of any fraud and significant irregularities or internal control deficiencies discovered by internal audit department.
- 5.4 The Group Audit Committee should have access to copies of audit reports(including interim financial audits) on a timely basis and should be kept regularlyinformed of corrective actions arising from internal and external audit findings.
- 5.5 The Group Audit Committee should have adequate resources to perform its duties and discharge its responsibilities and should be authorised to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary.
- 5.6 The Group Audit Committee should have direct communication channels with the external auditors and the internal audit department.
- 5.7 The Group Audit Committee shall be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of Manulife, whenever deemed necessary.

6. Meetings

- 6.1 The Group Audit Committee should meet at minimum four (4) times a year, with due notice of issues to be discussed, and should record its conclusions in discharging its duties and responsibilities.

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- 6.2 In addition, the Chairman of the Group Audit Committee should call a meeting of the Group Audit Committee if requested to do so by any Group Audit Committee member, the management or the internal or external auditors.
- 6.3 The quorum for Group Audit Committee meetings should be at least two thirds of the members with independent directors forming the majority. Seven (7) days' notice of Group Audit Committee Meetings shall be given to all Group Audit Committee members unless the Group Audit Committee waives such requirement.
- 6.4 If at any meeting, the Group Audit Committee Chairman is not present within 15 minutes after the time for holding the meeting, the members present may choose one (1) of their members to be the Chairman of the meeting.
- 6.5 The Chief Financial Officer or in his absence the Head of Finance, and the Head of Internal Audit should normally attend the Group Audit Committee meetings. A representative of the external auditors should attend the meetings as and when required. Other Board members may attend the meetings upon invitation of the Group Audit Committee. While the Group Audit Committee may invite any person to be in attendance to assist it in its deliberations, the Group Audit Committee should ensure that it meets exclusively when necessary.
- 6.6 The Company Secretary should act as Secretary of the Group Audit Committee and should be responsible for drawing up the agenda with the concurrence of the Chairman and circulating it, supported by explanatory documentation, to the Group Audit Committee members within a reasonable timeframe prior to each meeting.
- 6.7 The Secretary should also be responsible for keeping the minutes of meetings of the Group Audit Committee, their timely circulation to the Group Audit Committee members and other members of the Board and follow up on outstanding matters in relation to the meetings.
- 6.8 Questions arising at any meeting of the Group Audit Committee shall be decided by a majority of votes of the members present, and in the case of equality of votes, the Chairman of the Group Audit Committee shall have a second or casting vote. A Group Audit Committee member shall abstain from deliberations and voting in respect of any matter which may give rise to an actual or perceived conflict of interest situation.
- 6.9 A resolution in writing signed by all members of the Group Audit Committee for the time being entitled to receive notice of a meeting of the Group Audit Committee, shall be as valid and effectual as if it had been passed at the meeting of the Group Audit Committee duly convened and held. Any such resolution may consist of several documents in like form, each signed by one (1) or more members of the Group Audit Committee.
- 6.10 The Chairman of the Group Audit Committee should report to the Board on the deliberations of the Group Audit Committee on a regular basis. In addition, the Chairman should also present a summary of all significant matters (highlighting the risks and implications) and resolutions made by the Group Audit Committee at Board meetings.
- 6.11 The Chairman of the Group Audit Committee should engage on a continuous basis with senior management, such as the Chairman of the Board, the Chief Executive Officer, the Finance Director, the Chief of Internal Audit and the external auditors in order to be kept informed of matters affecting a company within Manulife Group.

7. Duties and responsibilities

The Group Audit Committee's duties and responsibilities in relation to the internal audit and external audit function should include the following:-

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7.1 Internal audit

The Group Audit Committee should:-

- (a) Ensure that the internal audit department is distinct and has the appropriate status within the overall organisational structure for the internal auditors to effectively accomplish their audit objectives.
- (b) Ensure the effective organisation of the internal audit function, with due regard to the professionalism, capacity and competence of the internal audit personnel.
- (c) Review and approve the audit plan, audit charter and budget required.
- (d) Ensure that reporting relationships of the internal audit staff do not impede the exercise of independent judgment by the internal auditors. In particular, internal audit reports should not be subject to the clearance of a Chief Executive Officer or any executive director.
- (e) Review the internal audit programme and results of the internal audit process.
- (f) The Group Audit Committee should also review the scope of internal audit procedures, in particular:-
 - i. Any restrictions placed on access by the internal auditors to any company's records, assets, personnel or processes which are relevant to the conduct of audits;
 - ii. Appropriateness of the risk assessment methodology employed to determine the frequency and scope of audits, having regard to the nature, size and complexity of a company's operations;
 - iii. Compliance with internal auditing standards; and
 - iv. Coordination between internal and external auditors.
- (g) The Group Audit Committee members should ensure that they are adequately informed of, and understand, the risks and implications of internal audit findings and recommendations. The Group Audit Committee should pay particular attention to internal audit assessments of:-
 - i. Compliance with company policies, relevant laws and regulatory requirements;
 - ii. Effectiveness of internal controls in critical areas of operations (eg accounting, underwriting, claims, investment, derivatives and information technology management); and
 - iii. Management's responsiveness to, and corrective actions taken in respect of, internal audit findings and recommendations.
- (h) The Group Audit Committee should ensure that all findings and recommendations are resolved effectively and in a timely manner.
- (i) The Group Audit Committee should note any significant disagreements between the internal auditor and management irrespective of whether they have been resolved in order to identify any impact that this may have on the audit process or findings.
- (j) Resources and staffing. The Group Audit Committee should ensure on an ongoing basis the internal audit department has adequate and competent resources, given the size and complexity of a company's operations. In this respect, the Group Audit Committee should:-

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- i. Review any appraisal or assessment of the performance of members of the internal audit function;
- ii. Approve any appointment or termination of senior staff members of the internal audit function; and
- iii. Take cognisance of resignations of internal audit staff members and provide the resignation staff member an opportunity to submit his reasons for resigning.

The Group Audit Committee should ensure that internal audit staff receives necessary training to perform audit work. In this respect, there should be a programme of continuing education and training to enable the internal auditors to keep abreast of business trends and latest developments at both the institution and industry levels, as well as to enhance technical skills required to effectively support the audit function.

The Head of Internal Auditor shall report directly to the Group Audit Committee and shall have direct access to the Chairman of the Group Audit Committee.

7.2 External auditor

- (a) Appointment of external auditor.

The Group Audit Committee is responsible for the review and recommendation made to the Board the appointment and reappointment, and resignation or dismissal of the external auditor, having particular regard to the external auditor's objectivity, performance, suitability and independence.

The objectivity, performance, suitability and independence of the external auditor shall be assessed and monitored annually. The assessment will consider amongst others the competence, audit quality and resource capacity of the external auditor in relation to the audit; and the written assurance from the external auditors as to whether that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

- (b) The Group Audit Committee should:-

- i. review and assess various relationships between the external auditor and Manulife Holdings Berhad (the "Company") or any other entity within Manulife Group that may impair or appear to impair the external auditor's judgement or independence in respect of the company;
- ii. review and assess fees paid to the external auditor, considering economic importance of a company (in terms of total fees paid) to the external auditor; fees paid for non-audit services as a proportion of total fees; and whether an effective, comprehensive and complete audit could be reasonably conducted for the audit fee paid;
- iii. investigate reasons for any request made by management to dismiss the external auditor, or any resignation by the external auditor; and
- iv. approve the provision of any non-audit services by the external auditor. The Group Audit Committee's decisions with respect to the provision of non-audit services should be documented in a statement which outlines whether or not it believes the level of provision of non-audit services by the external auditor is compatible with maintaining the external auditor's independence together with supporting reasons.

- (c) Audit plan, findings and recommendations.

The Group Audit Committee should review the following and report the same to the respective Boards of Manulife Group:-

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- i. with the external auditor, the audit plan prior to the commencement of the annual audit, the nature and the scope of audit;
- ii. with the external auditor, his evaluation of the system of internal controls;
- iii. audit reports issued by the external auditors;
- iv. the assistance given by the employees to the external auditor;
- v. any letter of resignation from the external auditors;
- vi. any significant disagreements between the external auditor and management irrespective of whether they have been resolved in the absence of management where necessary;
- vii. any other findings, issues or reservations faced by the external auditor arising from the interim review and year end audit results.

The Group Audit Committee should also review and monitor management's responsiveness to and action taken on external audit findings and recommendations. In this regard, the Group Audit Committee should ensure that all findings and recommendations are resolved effectively and in a timely manner.

In order to allow external auditors to express concerns, problems and reservations arising from financial audits effectively, the Group Audit Committee should meet at least twice a year with the external auditors in the absence of management/executive Board members.

8. Other Responsibilities

The Group Audit Committee should also:

- (a) Review:-
 - i. the interim financial reports, preliminary announcements, and quarterly and year-end financial statements, focusing particularly on:-
 - changes in or implementation of major accounting policy changes
 - significant matters highlighted including financial reporting issues, significant judgements made by Management, significant and unusual events or transactions, and how these matters are addressed
 - compliance with accounting standards and other legal requirements
 - ii. corporate governance disclosures made in the Directors' Report and be satisfied that any departure from the Malaysian Code on Corporate Governance ("MCCG") recommendations and the circumstances justifying such departure are sufficiently explained;
 - iii. all representation letters signed by management, and be satisfied that the information provided is complete and appropriate;
 - iv. external auditor's management letter and management's response; and
 - v. any related-party transactions and conflicts of interest situations that arose, persist or may arise between within the Company or Manulife Group including any transaction, procedure or conduct that raises questions of management's integrity, and the measures taken to resolve or mitigate such conflicts.
- (b) Prepare an annual report to the Board that provides a summary of the activities of the Group Audit Committee for inclusion in the Company's annual report;
- (c) Assist the Board of the Company in the following for publication in the Company's annual report: -
 - i. Statement on the Company's application and extent of compliance with MCCG, specifying reasons for any areas of non-compliance (if any) and the alternatives adopted in such areas; and

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- ii. Statement on the Board's responsibility for preparing the annual audited accounts.
- (d) Ensure that the Company's accounts are prepared in a timely and accurate manner for regulatory, management and general reporting purposes, with regular reviews carried out on the adequacy of provisions made;
- (e) Ensure that supervisory issues raised by a regulator concerning a member of the Manulife Group is resolved in a timely manner;
- (f) Report any breaches of the Bursa Securities Main Market Listing Requirements, which have not been satisfactorily resolved, to Bursa Securities.
- (g) The Group Audit Committee shall also be responsible for any other functions as may be determined by the Board and reflected in its terms of reference.

9. Minutes

- 9.1 The Secretary shall keep the minutes of the Group Audit Committee meetings at the Company's registered office.
- 9.2 The minutes shall be signed by the Chairman of the Group Audit Committee meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.
- 9.3 As a reporting procedure, the minutes shall be circulated to all members of the Board.