



**AUDIT COMMITTEE**

**TERMS OF REFERENCE**

**TABLE OF CONTENTS**

	Page
1. Composition	1
2. Functions	1 – 2
3. Rights and authority	3
4. Training and professional development	3
5. Meetings	3
6. Audit Committee report	4

## 1.0 COMPOSITION

The Audit Committee ("AC") shall be appointed by the Board from amongst its directors, which fulfils the following requirement:

- 1.1 The AC must be composed of no fewer than 3 members.
- 1.2 A majority of the AC must be Independent Director.
- 1.3 The members of the AC shall elect a Chairman from among their members who shall be an Independent Non-Executive Director.
- 1.4 No alternate director is appointed as a member of the AC.
- 1.5 At least one member of the AC:
  - (a) Must be a member of The Malaysian Institute of Accountants ("MIA"), or
  - (b) If he or she is not a member of The MIA, he or she must have at least 3 years' working experience, and
    - He or she must have passed the examinations specified in Part I of the 1<sup>st</sup> Schedule of the Accountants Act 1967, or
    - He or she must be a member of one of the Associations of Accountant specified in Part II of the 1<sup>st</sup> Schedule of the Accountants Act 1967.
- 1.6 If a member of the AC resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced below three (3), the Board of Directors shall, with three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.
- 1.7 There should be a cooling-off period of at least 2 years before any former key audit partner can be considered or appointed to become a member of the AC.
- 1.8 The term of office and performance of the AC and each of its members must be reviewed by the Board of Directors at least once every three (3) years.

## 2.0 FUNCTIONS

The functions of the AC shall be:

- 2.1 To review the following and report the same to the Board of Directors:
  - (a) The audit plan with the External Auditor.
  - (b) The evaluation of the system of internal accounting controls with the External Auditors.
  - (c) The management letter and management's response with the External Auditor.
  - (d) The assistance given by the employees to the External Auditor.
  - (e) The adequacy given by the employees to the External Auditor.
  - (f) The adequacy of the scope, functions and resource of the internal audit functions.
  - (g) The scope and results of the internal audit programs.
  - (h) The quarterly result and year end financial statements, prior to the approval by the Board of Directors, focusing particularly to:
    - Changes in or implementation of major accounting policy changes.
    - Significant and unusual events.
    - Compliance with accounting standards and other legal requirements.
  - (i) Any Related Party Transaction ("RPT") and conflict of interest situation that may arise within the Fima Corporation Berhad ("FimaCorp") or FimaCorp Group of Companies including any transaction, procedure or course of conduct that raises the question of

- management integrity.
- (j) Review any letter of resignation from the External Auditors and to recommend the nomination of another firm of External Auditors.
  - (k) Whether there is reason (supported by grounds) to believe that the External Auditor is not suitable for re-appointment.
- 2.2 Carry out the following with regard to the internal audit function:
- (a) Review the adequacy of scope, functions and resources of the GIA and that it has the necessary authority to carry out its work as stated in the internal audit department's charter.
  - (b) Review the internal audit programs, audit findings of internal audits, process and investigation undertaken and management's response.
  - (c) Review and approve the internal audit department's charter.
  - (d) Review and approve the risk-based internal audit plan.
  - (e) Review and approve the internal audit department's budget and resource plan.
  - (f) Review the Key Performance Indicators ("KPIs") for the internal audit department and cascaded to the Head of GIA and individual staff.
  - (g) Approve any appointment or termination of Head of GIA and keep informed of resignations of internal audit staff and provide the resigning staff with opportunity to submit reasons for resigning.
  - (h) Where necessary, appoint an external assurance and consulting service providers to carry out and/or undertake a limited scope audit/functions in specific areas where GIA does not possess the necessary expertise in those areas.
- 2.3 Carry out the following with regard to the risk management function:
- (a) Review and ensure that the process of assessing risk, control and governance, including operational and financial controls, business ethics and compliance, are properly managed and monitored according to the Enterprise-Wide Risk Management ("ERM") policies and procedures.
  - (b) Review and approve the FimaCorp's Risk Profile and Risk Parameter, ensuring the risks information are adequately identified, evaluated and documented based on the ERM policies and procedures.
  - (c) Receive and deliberate the risks information from the Risk Management Committee ("RMC") and inform annually, the FimaCorp's Board of Directors, the overall risks performance.
- 2.4 With the Board's approval, the AC shall be authorized to delegate certain functions to Sub-Committee to support and consistent with the AC's oversight responsibilities. These Sub-Committees shall act within agreed terms of reference and shall report all of their recommendations to the Committee for full deliberation and discussion. These Sub-Committee are not authorized to implement its recommendations on behalf of the AC but shall make the relevant recommendations to the AC for its consideration and implementation.
- 2.5 The AC shall review the allocation of Employee Share Scheme ("ESS") to ensure that it is consistent with the approved matrix set out in the ESS Bye-Laws and confirms that allocation is in compliance with the criteria of the said ESS Bye-Laws.

### **3.0 RIGHTS AND AUTHORITY**

When necessary and reasonable for the performance of its duties, the AC shall:

- 3.1 Have authority to investigate any matter within its terms of reference.
- 3.2 Have the resources which are required to perform its duties.
- 3.3 Have full and unrestricted access to any information pertaining to the FimaCorp or FimaCorp Group of Companies.
- 3.4 Have direct communication channels with the External Auditors and Group Internal Audit Department ("GIA") including in private meetings without management present.
- 3.5 Be able to obtain legal or other independent professional advice and secure the attendance of outsiders with relevant experience and expertise if it deemed necessary.
- 3.6 Be able to convene meetings with the External Auditors, excluding the attendance of the executive members of the committee, whenever deemed necessary.

### **4.0 TRAINING AND PROFESSIONAL DEVELOPMENT**

- 4.1 Undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules. As for best practice, all AC members are recommended to be financially literate and are able to understand matters under the purview of the AC including the financial reporting process.

### **5.0 MEETINGS**

- 5.1 Other directors, employees and External Auditors may be invited to attend any particular meeting only at the AC's invitation, specific to the relevant meeting.
- 5.2 The quorum of each meeting shall be at least two (2) members. In order to form a quorum in respect of a meeting, the majority of members present must be Independent Directors.
- 5.3 Meetings shall be held four (4) times a year or at a frequency to be decided by the AC.
- 5.4 At least once a year, the AC shall meet with the External Auditor without the presence of Executive Board Members.
- 5.5 The Company Secretary shall be the Secretary of the Committee. The Secretary shall circulate the minutes of the meeting to the AC members and to all members of the Board and shall keep record of all meetings.
- 5.6 The AC shall update the Board on issues and concerns discussed during their meetings including those raised by External Auditors and where appropriate, make the necessary recommendations to the Board.
- 5.7 If the AC is of the view that a matter reported by the AC to the Board has not been satisfactorily resolved resulting in a breach of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("BMSB"), the AC shall be responsible for reporting such matters to BMSB. The AC shall have the discretion to undertake such action independently from the Board.
- 5.8 A circular resolution in writing signed by majority members shall be valid and effective as it has been passed at a meeting. All such resolution shall be submitted for confirmation at a meeting of the Committee following the passing of the circular.

**6.0 AUDIT COMMITTEE REPORT**

- 6.1 An AC report must be prepared at the end of each financial year.
- 6.2 The report must be clearly set out in the annual report of the FimaCorp.
- 6.3 The report shall include the following:
- (a) The composition of the AC including the name, designation (indicating the Chairman) and directorship of the members (indicating whether the directors are independent or otherwise).
  - (b) The terms of reference of the AC.
  - (c) The number of meetings held during the financial year and details of attendance of each member.
  - (d) A summary of activities of the AC in the discharge of its functions and duties for that financial year.
  - (e) The existence of an internal audit and risk management functions or activities and where there is such a functions or activities, a summary of the activities of the functions or activities. Where such a function or activity does not exist, an explanation of the mechanisms that exist to enable the AC to discharge its functions effectively.

**Approved by the Audit Committee of Fima Corporation Berhad on 28 May 2018.**