

# FGV



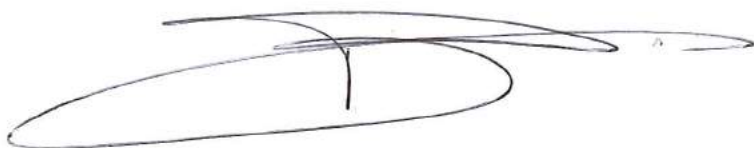
**AUDIT COMMITTEE  
TERMS OF REFERENCE**

**FGV HOLDINGS BERHAD**

**(VERSION 9.0)**

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Chairman, Board of Directors

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## **1. INTRODUCTION**

- 1.1. This Audit Committee Terms of Reference ("TOR" or the "Terms of Reference") sets out the requirements of the Board of Directors of FGV Holdings Berhad for the establishment of an Audit Committee, and the delegation of responsibilities to such committee, as at the date hereof. Paragraph 15.11,  
Listing Requirements
- 1.2. Unless otherwise stated the following applies:
- "the Company" or "FGV" refers to FGV Holdings Berhad;
  - "FGV Group" or "the Group" refers to FGV and its Group of Companies<sup>1</sup>;
  - "the Board" refers to the Board of Directors of FGV;
  - "AC" or the "Committee" refers to the Audit Committee of FGV;
  - "Top Management" refers to the Group Chief Executive Officer ("Group CEO"), the Sector Heads (Chief Operating Officers), FGV Group Chief Financial Officer, FGV Chief Internal Auditor, Head of Group Governance & Risk Management, FGV Company Secretary and all positions from Senior Vice President and above; and
  - "related party companies" refers to companies that involve in a related party transaction with FGV.
- 1.3. In view of the mandatory nature of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (the "Listing Requirements"), the Terms of Reference aims to set out the terms of conduct of the FGV AC with respect to relevant provisions of the Listing Requirements. In addition, the Terms of Reference also recognizes and aims to adopt related better practices and guidance from the following documents:
- 1.3.1. The Malaysian Code on Corporate Governance 2017 ("the Code" or "MCCG 2017"), which provides Principles, Intended Outcome, Practices and Guidance to promote greater internalisation of corporate governance culture; and
- 1.3.2. The Corporate Governance Guide – Moving from Aspiration to Actualisation, 3<sup>rd</sup> Edition ("the Guide") issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia") in 2017, which seeks to enrich the application and actualisation of corporate governance practices by providing practical guidance to listed issuers and cultivate listed issuer's appreciation on the drivers of sound corporate governance.

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<sup>1</sup> FGV Group refers to include FGV's operating Subsidiaries, Associates and Jointly-Controlled Entities in which FGV holds a controlling interest, as established under the corporate structure of FGV.

## 2. PURPOSE

- 2.1. The AC TOR is established pursuant to the Listing Requirements and is approved by the Board. Paragraph 15.11,  
Listing Requirements
- 2.2. The purpose of the Committee, set up under the Listing Requirements, is to assist the Board in fulfilling its roles and responsibilities in regards to:
- 2.2.1. Assessing the risks and control environment;
  - 2.2.2. Overseeing financial reporting;
  - 2.2.3. Evaluating the internal and external audit process and outcome;
  - 2.2.4. Reviewing conflict of interest situations and related party transactions; and
  - 2.2.5. Undertake any such other functions as may be determined by the Board from time to time.
- 2.3. 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.

## 3. MEMBERSHIP

- 3.1. The Committee members shall be appointed by and from the Board of FGV, and shall comprise of not less than three (3) members. Paragraph 15.09(1)(a),  
Listing Requirements
- 3.2. All the members of the Committee must be Non-Executive Directors and a majority of whom must be Independent Directors free from any business or other relationship that, in the opinion of the Board, would materially interfere with the exercise of his or her independent judgment as a member of the Committee. Paragraph 15.09(1)(b),  
Listing Requirements
- 3.3. A former key audit partner must observe a cooling-off period of at least two (2) years before being appointed as a member of the Audit Committee. Practice 8.2,  
MCCG 2017
- 3.4. No Alternate Director shall be appointed as a member of the Committee. Paragraph 15.09(2),  
Listing Requirements
- 3.5. At least one member of the Committee: Paragraph 15.09(1)(c),  
Listing Requirements
- 3.5.1. must be a member of the Malaysian Institute of Accountants; or
  - 3.5.2. if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' relevant working experience and:
    - (i) he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or



- (ii) he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or

3.5.3. fulfils such other requirements as prescribed by Bursa Malaysia.

3.6. The Chairman of the Committee shall not be the Chairman of the Board.

Practice 8.1,  
MCCG 2017

3.7. All members of the Committee shall be financially literate.

3.8. In the event a member of the Committee resigns, dies or for any other reason ceases to be a member, resulting in the above-mentioned Committee membership conditions not being fulfilled, the Board shall within three (3) months of that event appoint such number of new members as may be necessary to fulfill the requirements.

Paragraph 15.19,  
Listing Requirements

3.9. Quorum

3.9.1. In order to form a quorum for the Committee meeting, at least three (3) of the members of the Committee must be present at the meeting, with the majority of Independent Non-Executive Directors.

Paragraph 15.18,  
Listing Requirements

3.9.2. In the absence of the Chairman of the Committee, the members present shall elect a Chairman for the meeting, who shall be an Independent Non-Executive Director from amongst the members present.

## **4. CHAIRMAN OF THE COMMITTEE**

4.1. The Chairman of the Committee must be an Independent Non-Executive Director and shall be appointed by the members of the Committee.

Paragraph 15.10,  
Listing Requirements

4.2. The Chairman of the Committee is not the Chairman of the Board.

Practice 8.1,  
MCCG 2017

## **5. SECRETARIES OF THE COMMITTEE**

5.1. The FGV Company Secretary and the FGV Chief Internal Auditor shall be the Secretaries of the Committee.

5.2. The Secretaries of the Committee shall be present to record proceedings of the Committee meetings.

5.3. The Secretaries of the Committee shall have the following responsibilities:

5.3.1. ensuring meetings are arranged and held accordingly;

5.3.2. assisting the Chairman of the Committee in planning and drafting the Committee's activities for the financial year;

- 5.3.3. drawing up meeting agenda in consultation with the Chairman of the Committee, and circulate the agenda, together with the relevant papers, at least five (5) business days prior to each of the Committee meeting;
- 5.3.4. ensuring structured communication (i.e. formal and prompt reporting) between the Board and the Committee;
- 5.3.5. ensuring proceedings of meetings are minuted and endorsed by the Chairman of the Committee before disseminating them to all Board members; and
- 5.3.6. ensure 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.

## **6. AUTHORITY**

- 6.1. The Board has authorised the Committee, within the scope of its duties and responsibilities set out in this Terms of Reference to:

Paragraph 15.17,  
Listing Requirements

- 6.1.1. investigate or instruct investigation of any activity or matter within its terms of reference;
- 6.1.2. acquire the resources which are required to perform its duties;
- 6.1.3. have full and unrestricted access to anyone in the Group in order to conduct any investigation and any information pertaining to the Group;
- 6.1.4. have full and unrestricted access to information pertaining to the Group, their records, properties and personnel in the Group to obtain any information pertaining to the Group relevant for its purpose;
- 6.1.5. maintain direct communication channels with the external auditors and the FGV Chief Internal Auditor (or his/her equivalent);
- 6.1.6. obtain independent professional advice, as deemed necessary, to assist the Committee or any individual member of the Committee in the proper discharge of its roles, responsibilities and duties, at the expense of the Company and in accordance with the authority delegated to the Committee as stated in the Standard Operating Procedure Directors Seeking Independent Professional Advice. The Committee or any member of the Committee may seek waiver of para 6.3 - 6.6 of the Standard Operating Procedure Directors Seeking for Independent Professional Advice to directly engage the independent professional advice through the Secretaries of the Committee with approval of the Committee or Chairman of the Committee or Chairman of the Board.
- 6.1.7. convene meetings with the external auditors, internal auditors or both, without the presence of other directors and employees of the Group, whenever deemed necessary; and
- 6.1.8. meet exclusively among itself, whenever deemed necessary.



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

## **7. RESPONSIBILITIES AND DUTIES**

- 7.1. The key responsibilities of the Committee are as follows:

### **7.1.1. Assessing the internal control environment**

- a) To review the sufficiency and effectiveness of the Group's overall internal control framework, strategies, policies and systems and report to the Board, the results of annual review and internal control framework. Practice 9.1 and 9.2, MCCG 2017
- b) To assess the effectiveness of the system of internal control vis-à-vis, control environment and compliance requirements of the Group, based on the results of the external and internal audits and assurances from the respective responsible persons.
- c) To be apprised of the risks facing the Group on a quarterly basis.

### **7.1.2. Oversee financial reporting**

- a) To review the quarterly results and the year-end financial statements of the Group prior to approval by the Board, focusing particularly on; Paragraph 15.12(1)(g), Listing Requirements
  - (i) changes in or implementation of major accounting policies;
  - (ii) significant and unusual events and adjustments; and
  - (iii) compliance with the applicable financial reporting standards and other legal requirements.
- b) To be vigilant of significant adjustments arising from the external audit and appropriateness of the going concern assumptions used in preparation of the financial statements.
- c) To ensure that the finance function is equipped with the right personnel with the skills, experience, training, authority and adequate resources and the right infrastructure to support the financial reporting process.
- d) To review and recommend any policies relating to accounting, finance and internal control and endorse for the Board's approval.

### **7.1.3. Evaluating the internal and external audit process**

- a) To review with the external auditors the following:
  - (i) their audit plan and ensure coordination where more than one audit firm is involved; Paragraph 15.12(1)(a), Listing Requirements
  - (ii) their evaluation of the system of internal controls; Paragraph 15.12(1)(b), Listing Requirements

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| (iii) their audit report;   | Paragraph 15.12(1)(c),<br>Listing Requirements   |
| (iv) problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management where necessary);  |  |
| (v) the management letter and management's response; and  |  |
| (vi) the adequacy of assistance given by Group employees to the external auditor;   | Paragraph 15.12(1)(d),<br>Listing Requirements   |
| b) to review any letter of resignation from the external auditors and report the same to the Board;   | Paragraph 15.12(1)(i),<br>Listing Requirements   |
| c) to review whether there is any reason that the external auditor is not suitable for reappointment, and make relevant recommendation to the Board;  | Paragraph 15.12(1)(j),<br>Listing Requirements   |
| d) to recommend the nomination of a person or persons as external auditors, including matters relating to the audit fee;  | Paragraph 15.12(2),<br>Listing Requirements  |
| e) to ensure the proper policies and procedures are established and to assess the suitability and independence of external auditors, including obtaining written assurance from external auditors confirming they are, and have been, independent throughout the conduct of audit engagement in accordance with the terms of reference of all relevant professional and regulatory requirement; | Practice 8.3,<br>MCCG 2017   |
| f) to set policy on non-audit services which may be provided by the external auditors, and conditions and procedures which must be adhered to by the external auditors in the provision of such services;   |  |
| g) to review engagement of non-audit services by the external auditors to ensure that their independence is maintained;   | Practice 8.3,<br>MCCG 2017   |
| h) In relation to the Group's internal audit function, to undertake the following:  |  |
| (i) ensure that the internal audit function is effective and able to function independently;  | Paragraph 15.27(1),<br>Listing Requirements<br>Practice 10.1,<br>MCCG 2017             |
| (ii) review the adequacy of the scope of work, functions, competency, resources and budget of the Group's internal audit function and that it has the necessary authority to carry out its work, and report or make relevant recommendations to the Board;  | Paragraph 15.12(1)(e),<br>Listing Requirements<br>Practice 10.1 and 10.2,<br>MCCG 2017 |
| (iii) approve the internal audit plan and review the results of the internal audit plan or investigation undertaken and whether or not appropriate action is taken on the recommendations of the Group's internal audit function, and report or make relevant recommendations to the Board;   | Paragraph 15.12(1)(f),<br>Listing Requirements   |



- (iv) review the effectiveness of the Group's internal audit function including compliance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing and make recommendations necessary for improvement of the internal audit function; Practice 10.1, 10.2, MCGG 2017
- (v) review any appraisal of or assessment of the performance (performance evaluation) of the Group's internal audit function; Practice 10.1, MCGG 2017
- (vi) approve any appointment or removal of the FGV Chief Internal Auditor; Practice 10.1, MCGG 2017
- (vii) appraise the performance, approve and recommend the remuneration (including annual increment, bonus and promotion) of the FGV Chief Internal Auditor; and
- (viii) take cognizance of resignation of the FGV Chief Internal Auditor and provide the resigning individual an opportunity to submit his/ her reasons for resigning.

**7.1.4. Reviewing conflict of interest situations and related party transactions (including recurrent related party transactions)**

Paragraph 15.12(1)(h),  
Listing Requirements

- a) To review any conflict of interests situation and related party transaction that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- b) In respect of related party transaction, including recurrent related party transactions to:
  - (i) ensure that the Group has adequate procedures and processes to identify, and where relevant, monitor and track related party transactions in a timely manner, and to review these procedures and processes annually;
  - (ii) assess the sufficiency of the procedures, policies and terms of the related party transactions to ensure that the transactions are fair, reasonable and on normal commercial terms; are not more favorable to the related party than those generally available to the public and are not detrimental to minority shareholders and in the best interest of the Group;
  - (iii) where the related party transactions are not comparable to quotations or comparative pricing with unrelated third parties, to review the basis of the transaction price determined by the management in comparison to transactions by/to unrelated parties for substantially similar type transaction for approval by the FGV Board; and
- c) To review the disposal of fixed assets relating to transactions with related party companies or external parties with percentage ratio as set out in the Group's Limit of Authorities ("Group LOA").

- d) To review account receivables write-off under related party transactions with percentage ratio as set out in Group LOA.
- e) Related party transactions and conflict of interest situations shall be a permanent agenda item of the Committee meetings.

#### **7.1.5. Other responsibilities and duties**

- a) To consider any concerns raised by external auditors pertaining to a breach or non-performance of any requirement of any rules or matters that may materially affect the financial position of FGV Group. Section 320(1),  
Capital Markets and  
Services Act, 2007
- b) Where the AC is of the view that a matter reported by it to the Board of FGV has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the Committee must promptly report such matter to Bursa Malaysia. Paragraph 15.16,  
Listing Requirements
- c) To review any reporting of matters to the shareholders and/or relevant authorities and other statements which are mandated by Bursa Malaysia relating to the Group's strategy, financials and performance including the Corporate Governance Report and recommends to the Board for approval.
- d) To provide oversight on the Company's Annual Integrated Report Reporting Framework, which includes reviewing the Company's Annual Integrated Report and specifically approving the Statement on Risk Management and Internal Control, the Corporate Governance Overview Statement, the Audit Committee Report, the Management Discussion and Analysis and other statements which are mandated by Bursa Malaysia or related to strategy, financials and performance for inclusion in the Company's Annual Integrated Report and recommends to the Board for approval. The oversight provides the mechanism and support for the Board to:
  - i. acknowledge its responsibility to ensure the integrity of the Company's Annual Integrated Report;
  - ii. leverage for the Board's collective mind in the preparation and presentation of the Company's Annual Integrated Report; and
  - iii. give an opinion or conclusion on whether the Company's Annual Integrated Report is presented in accordance with the Company's Annual Integrated Report Reporting Framework.
- e) To undertake such other functions as may be agreed to by the AC and the Board.



## **8. RELATIONSHIP WITH LISTED SUBSIDIARIES' AUDIT COMMITTEES**

- 8.1. FGV AC delegates the functions under its terms of reference, in respect of its subsidiaries which are listed on Bursa Malaysia ("the listed subsidiaries") and companies directly held by the listed subsidiaries, to the Audit Committees of the listed subsidiaries.
- 8.2. Nevertheless, the conduct of the delegated functions under its terms of reference should be consistently maintained, particularly in the adoption of accounting policies, by the Audit Committees of the listed subsidiaries.
- 8.3. FGV AC reserves the right to establish the orderly conduct of the duties and authority across the Audit Committees of the listed subsidiaries and reserves its right to be apprised of any significant issues reported by the listed subsidiaries' Audit Committees and any other matters it deems appropriate.
- 8.4. FGV AC may, if it suspects any material irregularity in the listed subsidiaries' internal control, financial reporting or matters materially affecting the truthfulness and fairness of the Group's financial results, FGV AC may engage appropriate investigation into the matter.

## **9. REPORTING**

- 9.1. The Committee shall regularly update the Board about its activities and make appropriate recommendations including through:
  - 9.1.1. 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; and
  - 9.1.2. the Chairman of the Committee drawing to the Board's attention any matter of major importance.
- 9.2. At the discretion of the Chairman of the Committee and members of the Committee, any relevant matters deemed to be of major importance shall be referred to the Board for its attention. Paragraph 15.24,  
Listing Requirements
- 9.3. The Committee shall be responsible in ensuring that the Company discloses in its Annual Integrated Report the Audit Committee Report and Management Discussion and Analysis in accordance with relevant provisions from the Listing Requirements. Paragraph 15.15,  
Listing Requirements

## **10. MEETINGS ADMINISTRATIONS**

### **10.1. Frequency and attendance**

- 10.1.1. The Committee meetings shall be conducted at least four (4) times annually, or more frequently as circumstances dictate.
- 10.1.2. The Chairman of the Committee, in consultation with the Secretaries of the Committee, shall determine the frequency of the Committee meeting and discuss the schedule of meetings with the members of the Committee.
- 10.1.3. 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.
- 10.1.4. Upon the request of the external auditor, the Chairman of the Committee must convene a meeting of the committee to consider any matter the external auditor believes should be brought to the attention of the directors or shareholders.
- 10.1.5. 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-conferencing or tele-conferencing, or other appropriate means as determined by the Committee.  
  
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.
- 10.1.6. The Group CEO, the FGV Chief Financial Officer and Head of Governance & Risk Management shall be invited to attend the Committee meetings. Participation from the Group CEO, the FGV Chief Financial Officer and the Head of Governance & Risk Management may not be required for the full duration of the meeting.
- 10.1.7. The Committee may also invite any of the Audit Committee member of its listed subsidiaries or other Senior Executives of the listed subsidiaries to attend its meetings to provide any clarification of matters related to the listed subsidiaries.
- 10.1.8. Other members of the Board or Top Management or any other employee may be invited to the meeting for a specific agenda or clarification on matters for discussion.
- 10.1.9. The Committee shall meet with the external and/or internal auditors without executive board members and management present at least twice a year.



- 10.1.10. Any of the Committee member or invited participant, including Independent Advisors, with conflicting interest shall abstain from discussion and participating in decisions or voting of the related matter. The member of the Committee and/ or invited participant, including Independent Advisors, shall excuse himself/herself from the Committee meeting during discussions or deliberations of any matter which he/she has interest in or gives rise to perceived conflict of interest situation for him/her.
- 10.1.11. 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 the deliberation may be impaired due to the presence of individuals concerned.
- 10.1.12. 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 signed by all the members of the Committee and shall be submitted for confirmation at a meeting of the Committee following the passing of the circular resolutions.

## 10.2. Notice and agenda

- 10.2.1. Proper notice shall be issued for any of the Committee meeting and the Chairman of the Committee shall ensure that proper agenda is prepared for the Committee meeting.
- 10.2.2. The agenda and relevant papers for the Committee meeting must be issued at least five (5) business days prior to each of the Committee meeting. Practice 1.5, MCCG 2017

## 10.3. Minutes of the meeting

- 10.3.1. The discussions and conclusions of the Committee meetings shall be minuted, in a clear, accurate (reflect the deliberations and decisions), consistent, complete and timely manner; Practice 1.5, MCCG 2017
- 10.3.2. The minutes shall be entered into the minutes Register kept by the FGV Company Secretary together with the attendance sheet.
- 10.3.3. Keeping of the minutes must comply with the requirements of the relevant law and regulations, e.g. Companies Act, 2016 and Income Tax Act, 1967.
- 10.3.4. Reproduction of any part of the minutes can only be performed through/by the FGV Company Secretary.

## **11. THE COMMITTEE'S PERFORMANCE**

- 11.1. On an annual basis, the Board shall evaluate the Committee's performance and extent to which the Committee has met the requirements of its Terms of Reference, including the term of office and performance of the Committee and each of its members. This performance assessment may constitute a part of the annual Board Effectiveness Assessment, pertaining to the assessment of Board Committees.

Paragraph 15.08A(3)(c),  
Paragraph 15.20,  
Listing Requirements

Practice 5.1,  
MCCG 2017

## **12. THE COMMITTEE'S ETHICS AND PROCEDURES**

- 12.1. 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.
- 12.2. The Committee shall work diligently amongst the members of the Board and adhere to all applicable laws and regulations as well as the prescriptions rendered in the Directors' Code of Ethics and Conduct and the Directors' Code of Business Practice.

## **13. REVIEW OF TERMS OF REFERENCE**

- 13.1. The Committee Terms of Reference and work plans shall be reviewed periodically, as and when required, especially when there are changes to the Listing Requirements, the MCCG 2017 and the Companies Act, 2016 or at least once every three (3) years. This review shall be facilitated by FGV Company Secretaries, Head of Group Governance & Risk Management, FGV Chief Internal Auditor and FGV Group Chief Financial Officer.

All amendments to the Terms of References of the Committee must be approved by the FGV Board.