



**FRASER & NEAVE HOLDINGS BHD**

## **Terms of Reference of Audit Committee**

### **Function**

The Audit Committee will assist the Board of Directors in fulfilling the Board's responsibilities on oversight. The Committee will review and monitor the integrity of the Group's reporting process, the system of internal control, audit process, compliance with legal and regulatory matters including having oversight over the audit process of the Anti-Corruption System ("ACS") and compliance with applicable anti-bribery and corruption laws, taxation matters and such other matters that may be delegated to the Committee by the Board from time to time.

### **Composition**

1. The Audit Committee shall comprise at least three (3) members (but not their alternate). All members of the Committee must be non-executive directors with a majority of them being independent directors including the Chairman as defined in the Main Market Listing Requirements (the "Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"). The Chairman of the Audit Committee is not the Chairman of the Board.
2. The Chairman of the Board should not be a member of the Audit Committee.
3. At least one member must be a professional or qualified accountant or fulfills such other requirements as approved by Bursa Securities.
4. Each member of the Committee must be able to read, analyze, interpret and understand financial statements in order to effectively discharge their function. Any vacancy resulting in there being no majority of independent directors shall be filled within three (3) months.

### **Appointment**

The Board on the recommendation of the Nominating Committee shall appoint members of the Committee. Each independent member of the Committee shall serve for a period of up to three years or a maximum of nine (9) years. The tenure of the independent member shall not be further extended upon the expiry of the nine (9)-year term unless the independent member is re-designated as non-independent.

### **Authority**

1. The Committee shall have the authority to investigate any matter within its terms of reference or otherwise directed by the Board.
2. The Committee is authorised to seek external legal or independent professional advice or invite outsiders with relevant experience to attend the Committee meetings and to advise the Committee if the Committee deems it appropriate.
3. The Committee shall have direct communication channels with the external and internal auditors and have access to the Group's resources to perform its duties. It shall be able to convene meetings with the external and/or internal auditors without the presence of the other directors and employees of the Company, whenever deemed necessary.

### **Meetings and Minutes**

1. The meeting agenda shall include review of audit report(s) and/or investigation results (if any) pertaining to ACS.
2. The Chairman of the Committee in consultation with the other members of the Committee, the external auditors and the appropriate officers of the Group will be responsible for calling meetings of the Committee, establishing the agenda and supervising the conduct thereof.

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3. The Committee shall meet at least four (4) times a year or as frequently as required including when requested by the external auditor. Its quorum shall be three (3) members provided that the majority of members present are independent directors.
4. If at any meeting, the Chairman of the Committee is not present within fifteen (15) minutes after the time appointed for holding the meeting, the members present may choose one of their numbers to be chairman of the meeting.
5. Attendance at a meeting may be in person or by way of participation via video conference or teleconference or such other means as may be agreed by the Committee.
6. The Secretary of the Company shall be the Secretary of the Committee. The Secretary shall in his/her absence, nominate a minute secretary to record the proceedings of the meeting of the Committee.
7. The Secretary shall ensure the Committee receives information and papers at least five (5) business days before meeting and circulate the minutes of the meetings to all members of the Committee and the Board.
8. The Chief Financial Officer or the person primarily responsible for the management of the financial affairs of the Company (such as record keeping, financial planning and financial reporting), by whatever name called, the head of the internal audit function and the external auditors (or their representatives) shall be expected to attend all meetings of the Committee. The Chief Executive Officer and other officers of the Company shall attend meetings by invitation.
9. The Committee shall meet with the external auditors and/or the head of the internal audit function, whenever deemed necessary, in the absence of other directors and employees of the Company unless they are so invited by the Chairman of the Committee.
10. The Secretary shall keep the minutes of the Committee meetings at the Company's registered office. The minutes shall be opened for inspection by any member of the Committee.
11. The minutes of meeting shall be signed by the chairman of the meeting at which the proceedings were held or by the chairman of the next meeting.
12. A resolution in writing signed by all members of the Committee for the time being entitled to receive notice of a meeting of the Committee, shall be as valid and effectual as if it had been passed at a meeting of the Committee duly convened and held. Any such resolution may consist of several documents (or facsimiles thereof) in like form, each signed by one or more members of the Committee. For the purpose of this paragraph, "in writing" and "signed" include approval by facsimile and email.

#### **Duties**

The duties of the Committee shall be as follows:

##### **(l) In relation to External Auditors**

1. To consider and recommend the appointment or re-appointment of the external auditors, terms of engagement, remuneration and independence by reference to the external audit firm's compliance with regulations, ethical guidance on partner rotation, level of fees paid by the Fraser & Neave Holdings Bhd and its operating entities ("the Group") in relation to the firm's overall fee income, employment of former employees of the firm, and any other family, financial, employment, investment and any other business relationship with the Group. This would include an annual review of the effectiveness of the external auditors, the qualifications, expertise and the adequacy of resources provided by the external auditors.
2. To consider and recommend the appointment of qualified and independent external auditors to conduct audit of the ACS once every four (4) years to obtain assurance that the Company is operating in compliance with its policies and procedures in relation to corruption.

3. The Committee will review and consider any proposed resignation or dismissal of the external auditors and whether there is reason to believe that the external auditors are not suitable for re-appointment together with the Committee's recommendations.
4. To review with the external auditors the adequacy and effectiveness of the internal control system and risk management processes to the extent performed as part of the external audit.
5. To review and discuss with the external auditors, their plans for and the scope and cost effectiveness of their annual audit and other examinations prior to the commencement of such activities.
6. To review the assistance given by the Group's employees to the external auditors and ensure coordination where more than one audit firm is involved and between external and internal auditors.
7. To review the external auditors' report of their annual audit, their accompanying management reports and responses by management, their report of the reviews of the Group's interim financial report and the problems and reservations arising, including any significant audit adjustments. The scope may also include the reports on results of such other examinations outside the course of the external auditors normal audit procedures that they may undertake from time to time.
8. For the purpose of safeguarding the quality and reliability of audited financial statements of the Group, to assess and review the suitability, objectivity and independence of the external auditors, which take into consideration among others:
  - the competency, audit quality and resource capacity of the external auditors;
  - the appropriateness of audit fee to support a quality audit;
  - requirements for non-audit services to be approved by the Audit Committee (including the appropriateness of the level of fees) before they are rendered by the external auditors and their affiliates;
  - requirement to obtain a written assurance from the external auditors confirming their independence throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.

(II) In relation to Internal Auditors

1. To review the effectiveness of the internal audit function to ensure its activities are performed independently and with impartiality and due professional care. The Committee shall recommend to the Board the authority and areas of responsibility of the internal audit function. For this purpose, the Committee must approve the Internal Audit Charter. The Committee shall also determine the remit of the internal audit function, among others:
  - Discuss with the Head of Internal Audit and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.
  - Ensure the Head of Internal Audit has unrestricted access to, and can communicate with and interact directly with the Audit Committee, including in private meetings without senior management present.
  - Ensure a quality assurance and improvement program has been established and review the performance of the internal audit function annually.
2. To review the internal audit plans for the adequacy and scope of the ongoing audit activities including the authority and the adequacy of competency and resources of the internal audit team to carry out its function effectively.
3. To review with the Head of Internal Audit their reports, key findings, and recommendations, management's responses to the recommendations and that appropriate actions are taken on their recommendations.

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4. To review with the Head of Internal Audit their audit reports in relation to the ACS, including key findings, recommendations, management's responses to the recommendations and ensure that appropriate actions are taken on their recommendations to rectify gaps identified. The Committee shall present the audit reports in relation to the ACS to the Board of Directors for review.
5. To decide on the appointment and termination of the Head of Internal Audit.
6. To endorse the remuneration of the Head of Internal Audit.
7. To decide budget for the internal audit function.

(III) Other matters

1. To review the quarterly and year-end consolidated financial statements and financial announcements of the Company, before submission to the Board, focusing particularly on:-
  - compliance with applicable financial reporting standards;
  - changes in major accounting policies and practices;
  - compliance with the Listing Requirements of Bursa Securities and other statutory requirements;
  - significant adjustments arising from the audit;
  - going concern issues of any entity within the Group;
  - significant judgmental and subjective issues affecting the audit; and
  - significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed.
2. To assist the Board in the preparation of the Audit Committee Report for inclusion in the annual report of the Company.
3. To review any related party transactions to ensure that they are conducted on the Group's normal commercial terms and the internal procedures relating to such transactions are sufficient and in compliance with the Listing Requirements of Bursa Securities.
4. To report to Bursa Securities any matter resulting in a breach of the Listing Requirements of Bursa Securities, which has not been satisfactorily resolved after it has been reported to the Board.
5. To review the verification work performed on the allocation of share options/ share grants under the Executives' Share Option Scheme/ Share Grant Plan at the end of the financial year as being in compliance with the criteria which is disclosed to the employees.
6. To review the procedures to address allegations made by whistleblowers to ensure that there is proportionate and independent investigations of such allegations and appropriate follow-up action is taken. Where allegations are in relation to the ACS and/or corruption and bribery matters, the outcome of the investigations of such allegations shall be reported to the Board of Directors.
7. To review such other matters in relation to the accounting, auditing and financial reporting practices and procedures as the Committee may deem desirable and to carry out such other responsibilities, functions or assignments as may be agreed to by the Committee and the Board.
8. To ensure a former key audit partner observes a cooling-off period of at least three (3) years before being appointed as a member of the Audit Committee.
9. To review conflict of interest situation that arose, persist or may arise within the Group including any transaction, procedure or course of conduct that raises questions of management's integrity, and the measures to be taken to resolve, eliminate or mitigate such conflict of interest.

**Reporting**

The Chairman shall report its activities to the Board at each financial quarter meeting and at any other manner and time, as it deems necessary. The Committee shall with the assistance of management, the external auditors and external legal counsel (where required) prepare a formal report for inclusion in the annual report in line with the relevant corporate governance guidelines of Bursa Securities.

**Decision Making**

Decisions on any matter within the purview of the Committee shall be made on a majority basis.

**Annual Review of Terms of Reference**

The Committee shall with the assistance of management review the adequacy of this Terms of Reference on a regular basis and may from time to time recommend the proposed changes to the Board as it deems appropriate to reflect new best practices and new legal or regulatory requirements.

**Assessment**

The Committee shall conduct an assessment to monitor their overall effectiveness in meeting their responsibilities at least annually.

**Review of the Audit Committee**

The Nominating Committee shall review the term of office and performance of the Committee and each of its members annually to determine whether the Committee and its members have carried out their duties in accordance with this Terms of Reference.

(End of Terms of Reference)