

**Terms of Reference for Audit Committee**

**1. Introduction**

The Audit Committee of Fiamma Holdings Berhad (“FHB” or the “Company”) was formed by the Board of Directors of the Company. Its primary function, is to assist the Board of Directors in meeting its responsibilities relating to accounting and reporting practices of the Company and its subsidiary companies.

In addition, the Audit Committee shall:

- Oversee and appraise the quality of the audits conducted both by the Company’s internal and external auditors;
- Maintain open lines of communication between the Board of Directors, the internal auditors and the external auditors for the exchange of views and information, as well as to confirm their respective authority and responsibilities; and
- Determine the adequacy of the Group’s administrative, operating and accounting controls.

**2. Composition**

The Audit Committee shall be appointed by the Directors from among their numbers (pursuant to a resolution of the Board of Directors) which fulfils the following requirements:

- 2.1. the Audit Committee must compose of no fewer than 3 members;
  - 2.2. all members of the Audit Committee must be non-executive directors, with a majority being independent directors;
  - 2.3. all members of the Audit Committee should be financially literate and at least one member of the Audit Committee:-
    - 2.3.1. must be a member of the Malaysian Institute of Accountants; or
    - 2.3.2. if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years’ working experience and:
      - he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountant Act,1967; or
      - he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act,1967;
- or

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2.3.3. must have at least 3 years' post-qualification experience in accounting or finance and either one of the following qualifications and:

- A degree/masters/doctorate in accounting or finance; or
- A member of any professional accountancy organisation which has been admitted as a full member of the International Federation of Accountants;

or

2.3.4. have at least 7 years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation; or

2.3.5. fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa Securities")

2.4. No alternate Director of the Board shall be appointed as a member of the Audit Committee.

The members of the Audit Committee shall elect a chairman from among their number who shall be an independent director.

In the event of any vacancy in the Audit Committee (including Chairman) resulting in the non-compliance of item 2.1 to 2.4 above, the Board shall upon the recommendation of the Nomination Committee fill the vacancy within three (3) months of that event.

The Board of Directors must via the Nomination Committee review the term of office and performance of the Audit Committee and each of its members annually to determine whether the Audit Committee and members have carried out their duties in accordance with the Terms of Reference.

### **3. Meetings**

Meetings shall be held at least four (4) times in each financial year. More meetings may be conducted if the need arises. Meetings between the Audit Committee with the external auditors (and internal auditors) without executive Board members and management present should be encouraged to foster open exchange of views and opinions.

In addition, the Chairman may call a meeting of the Audit Committee at the request of any committee member, the Company's Chief Executive, or the internal or external auditors.

The Company Secretary or his/her representative or other appropriate senior officer shall act as secretary of the Audit Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it,

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supported by explanatory documentation to committee members prior to each meeting.

The Company Secretary or his/her representative or other appropriate senior officer shall also be in attendance at each Audit Committee meetings and responsible for keeping the minutes of meetings of the Audit Committee, and circulating them to committee members and to the other members of the Board of Directors.

The quorum for a meeting shall be two (2) members of the Audit Committee, who are both independent directors.

The Audit Committee may invite the Group Chief Executive Officer and other appropriate officer(s) to attend the Audit Committee, where their presence are considered appropriate as determined by the Chairman of the Audit Committee.

The Audit Committee may deal with matters by way of circular reports and resolutions in lieu of convening a formal meeting. A resolution in writing signed by all members in lieu of convening a formal meeting shall be as valid and effectual as it had been passed at a meeting of the Audit Committee duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more members.

#### **4. Functions**

The functions of the Audit Committee are as follows:-

4.1. Review the following and report the same to the Board of Directors:-

- 4.1.1. with the external auditors, the audit plan;
- 4.1.2. with the external auditors, his evaluation of the system of internal controls;
- 4.1.3. with the external auditor, his audit report;
- 4.1.4. the assistance given by the Company's employees to the external auditors; and
- 4.1.5. any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity.

4.2. To nominate and recommend the appointment/ re-appointment and independence of the external auditors, the audit fee and any questions of resignation or dismissal of the external auditors and to review the letter of resignation from the external auditors, if applicable, and report the same to the Board. In considering the appointment/ re-appointment of the external auditors, to consider among others:-

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- (i) the adequacy of the experience and resources of the accounting firm;
- (ii) the persons assigned to the audit;
- (iii) the accounting firm's audit engagements;
- (iv) the size and complexity of the listed issuer's group being audited; and
- (v) the number and experience of supervisory and professional staff assigned to the particular audit;

The Audit Committee is to also consider the performance of the external auditor and its independence as below:-

- (i) the external auditor's ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan; and
- (ii) the nature of the non-audit services provided by the external auditor and fees paid for such services relative to the audit fee.

4.3. To discuss with the external auditors before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved in the audit;

4.4. To discuss the contracts and nature for the provision of non-audit services which can be entered into by Fiamma Holdings Berhad and its group of subsidiaries with the external auditors or its affiliates and procedures that must be followed. The contracts cannot be entered into should include:-

- Management consulting;
- Strategic decision; Internal Audit; and
- Policy and standard operating procedures documentation
- In the event that the non-audit fees paid to the Company's External Auditors, or a firm or corporation affiliated to the External Auditors' firm are significant (eg. constitute 50% of the total amount of audit fees paid to the Company's External Auditors) the Company is required to state the details on the nature of non-audit services rendered in the Audit Committee Report. To consider other areas as defined by the Board or as may be prescribed by Bursa Securities or any other relevant authority from time to time.

4.5. To review the quarterly and year-end financial statements of the Company, focusing particularly on:-

- any changes in or implementation of major accounting policies and practices;
- significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions and how these matters are being addressed;
- the going concern assumption;

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- integrity of financial statements; and
  - compliance with accounting standards and other legal requirements.
- 4.6. To discuss problems and reservations arising from the interim and final audits, and any matter the external and internal auditors may wish to discuss (in the absence of management where necessary);
- 4.7. To review the external auditor's management letter and management's response;
- 4.8. To review whether there is reason, supported by ground, to believe that the external auditors are not suitable for re-appointment;
- 4.9. To review the adequacy of Group's risk management framework and assess the resources and knowledge of the Management and employees involved in the risk management process;
- 4.10. To review the Group's risk profile and risk tolerance;
- 4.11. To assess the sound system of internal controls by conducting the following:-
- Review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
  - Review the internal audit programme and processes and where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
  - Review any appraisal or assessment of the performance of members of the internal audit function;
  - Approve any appointment or termination of internal auditors;
  - To have explicit authority over the resources such as professional advice and full access to information to investigate certain matters or cause to be investigated any activity within its Terms of Reference; and
  - Take cognisance of resignations of internal audit staff members and provide the resigning staff an opportunity to submit his reasons for resigning.
- 4.12. To discuss and review the major findings of any internal investigations and the management's response;
- 4.13. To ensure the internal audit function is independent of the activities it audits and the Head of Internal Audit reports directly to the Audit Committee. The Head of Internal Audit should be suitably qualified and be responsible for providing assurance to the Audit Committee that the internal controls are operating effectively. The Head of Internal Audit will be responsible for the regular review and/or appraisal of the effectiveness of risk management, internal control and governance processes within the Company;
- 4.14. To report promptly any matters resulting in the breach of the Bursa Securities Main Market Listing Requirements to the Board. Where the Audit

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Committee is of the opinion that such matter reported by it to the Board has not been satisfactorily resolved, the Audit Committee shall promptly report such matter to Bursa Securities; and

- 4.15. To consider other areas as defined by the Board or as may be prescribed by Bursa Securities or any other relevant authority from time to time.

**5. Rights of the Audit Committee**

The Audit Committee is, authorised by the Board (wherever necessary and reasonable for the Company), and at the cost of the Company to:-

- 5.1. have authority to investigate any matter within its terms of reference;
- 5.2. have the resources which are required to perform its duties;
- 5.3. have full and unrestricted access to any information pertaining to the Company;
- 5.4. have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);
- 5.5. be able to obtain independent professional or other advice, at the expense of the Company; and
- 5.6. be able to convene meetings with external auditors, the persons carrying out the internal audit function or both, excluding the attendance of executive Directors and employees of the Company, whenever deemed necessary.

**6. Review and Revision of the Terms of Reference**

This Terms of Reference for Audit Committee was first adopted on 27 November 2012 and will be reviewed once every two years. The Terms of Reference was last reviewed on 23 November 2016.

Any revision or amendment to this Terms of Reference, as proposed by the Audit Committee or any third party, shall first be presented to the Board for its approval.

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