

DURING THE FINANCIAL YEAR, THE AUDIT COMMITTEE CARRIED OUT ITS DUTIES AND RESPONSIBILITIES IN ACCORDANCE WITH ITS TERMS OF REFERENCE AND HELD DISCUSSIONS WITH THE INTERNAL AUDITORS, EXTERNAL AUDITORS AND RELEVANT MEMBERS OF MANAGEMENT. THE AUDIT COMMITTEE IS OF THE VIEW THAT NO MATERIAL MISSTATEMENTS OR LOSSES, CONTINGENCIES OR UNCERTAINTIES HAVE ARISEN, BASED ON THE REVIEWS MADE AND DISCUSSIONS HELD.

MEMBERSHIP AND TERMS OF REFERENCE OF THE AUDIT COMMITTEE

Membership

The Audit Committee is appointed by the Board of Directors from amongst the Non-Executive Directors and consists of four (4) members, all of whom are Independent Directors.

The Chairman of the Audit Committee, Mr Boey Tak Kong is a Fellow of the Chartered Association of Certified Accountants, United Kingdom and a Chartered Accountant of the Malaysian Institute of

Accountants (MIA). The other members of the Audit Committee are Mr Pushpanathan a/l S. A. Kanagarayar, Datuk Dr. Choo Yuen May and Puan Fatimah Binti Merican. Puan Fatimah was appointed as a member of the Audit Committee on 29 August 2019 after Mr M. Ramachandran A/L V. D. Nair ceased to be a member of the Audit Committee following his retirement at the conclusion of the Annual General Meeting held on 27 August 2019.

Meetings and Minutes

Four (4) meetings were held during the financial year with the attendance of the Chief Executive Officer (“CEO”) & Managing Director (“MD”) (by invitation), the CEO & MD of IJM Corporation Berhad (“IJM”), the holding company (by invitation), the Chief Financial Officer, the Chief Audit Executive, the Engagement Partner and senior representatives of the external auditors and the Company Secretary.

A quorum consists of two (2) members present and both of whom must be independent Directors. Other Board members and Senior Management may attend meetings upon the invitation of the Audit Committee. Both the internal and external auditors,

too, may request a meeting if they consider that one is necessary.

During the financial year, the Chairman of the Audit Committee had engaged on a continuous basis with the relevant Senior Management, Chief Audit Executive and the external auditors, in order to keep abreast of matters and issues affecting the Group.

The Company Secretary acts as the secretary to the Audit Committee. Minutes of each meeting are distributed electronically to each Board member and the Chairman of the Audit Committee reports on key issues discussed at each meeting to the Board.

Details of the Audit Committee members’ attendance are tabled below:

	No. of meetings attended
1 Boey Tak Kong <i>Independent Non-Executive Director (Chairman with effect from 17 June 2019)</i>	3/3
2 Pushpanathan A/L S. A. Kanagarayar <i>Independent Non-Executive Director (Chairman till 17 June 2019)</i>	4/4
3 Fatimah Binti Merican (Appointed on 1 September 2019) <i>Senior Independent Non-Executive Director</i>	2/2
4 Datuk Dr. Choo Yuen May <i>Independent Non-Executive Director</i>	3/4
5 M. Ramachandran A/L V.D. Nair (Ceased on 27 August 2019) <i>Senior Independent Non-Executive Director</i>	2/2

AUTHORITY AND DUTIES

The details of the terms of reference of the Audit Committee are available for reference at www.ijplantations.com.

REVIEW OF THE AUDIT COMMITTEE

An annual assessment and evaluation on the performance and effectiveness of the Audit Committee was undertaken by the Board of Directors for the financial year ended 31 March 2020. The Audit Committee was assessed based on four (4) key areas, namely effectiveness and quality, internal and external audit, risk management and internal control, and financial reporting, to determine whether the Audit Committee had carried out its duties in accordance with its terms of reference.

In view of the appropriate level of knowledge, skills, experience and commitment of its members being critical to the Audit Committee's ability to discharge its responsibilities effectively, an assessment of the Audit Committee members (self and peer) was also carried out for the financial year ended 31 March 2020.

The Board is satisfied that the Audit Committee and its members discharged their functions, duties and responsibilities in accordance with the Audit Committee's terms of reference, and supported the Board in ensuring the Group upholds appropriate standards of Corporate Governance.

SUMMARY OF ACTIVITIES FOR THE FINANCIAL YEAR

During the year, the Audit Committee carried out the following activities:

1.0 Financial Reporting

- Reviewed the quarterly financial results and announcements as well as the year-end financial statements of the Group and Company, and recommended them for approval by the Board;
- In the review of the quarterly financial results and annual audited financial statements, the Audit Committee discussed with Management and the external auditors, amongst others, the accounting principles and standards that were applied and their use of judgement of the items that may affect the financial results and statements; and
- Confirmed with Management and the external auditors that the Group's and Company's annual audited financial statements have been prepared in compliance with applicable Malaysian Financial Reporting Standards.

2.0 Internal Audit

- Reviewed and approved the annual internal audit plan proposed by the internal auditors to ensure the adequacy of the scope and coverage of work;
- Reviewed the effectiveness of the internal audit process, the Group Internal Audit Department's (IAD) organisation structure, resource requirements (adequacy and suitability) for the year and assessed the performance of the overall Internal Audit function;
- The Audit Committee met with the Chief Audit Executive twice during the year, without the presence of Management, to review key issues within their sphere of coverage and responsibility. During the private session with the Chief Audit Executive, it was noted that there were no major concerns and he conveyed that the internal auditors had been receiving full cooperation from the Management and staff throughout the course of their work;
- Reviewed the audit reports presented by the internal auditors on their findings and recommendations with respect to system and control weaknesses. The Audit Committee then considered those recommendations including the Management's responses thereon, before proposing that those control weaknesses be rectified and recommendations for improvements be implemented;
- Reviewed the internal auditors' findings on significant whistleblowing cases, if any, and Management's responses and resolutions thereon; and
- Received the report from the internal auditors on the verification of allocation of options and shares for eligible employees of the Group under the Employee Share Option Scheme and Employee Share Grant Plan under the Long Term Incentive Plan ("LTIP") of IJM, and that it is in compliance with the criteria set out in the By-Laws of the LTIP.

3.0 External Audit

- Reviewed and endorsed the external auditors' audit strategy, audit plan and scope of work for the year;
- Exercised oversight over the relationship with the external auditors to ensure that their coverage is focused and that there was suitable reliance of the work of the internal auditors;
- Reviewed the level and scope of assistance given by internal auditors to the external auditors;
- The Audit Committee deliberated on the external auditors' presentation of:
 - the terms, areas of responsibility, associated duties and scope of the audit as set out in the external auditors' engagement letter;
 - the overall work plan and fee proposal;
 - the major issues that arose during the course of the audit and their resolution;
 - key accounting and audit judgements;
 - the unadjusted differences identified during the audit; and
 - recommendations made by the external auditors in their management letters and the adequacy of Management's responses thereon.
- Reviewed and approved the provision of non-audit services (if any) by the external auditors that are required to be agreed prior to the commencement of their work and confirmed as permissible for the external auditors to undertake, as provided under the By-Laws of the Malaysian Institute of Accountants.
- Reviewed the external auditors report to the Audit Committee;
- Reviewed, assessed and monitored the performance, suitability and independence of the external auditors pursuant to the External Auditors Policy ("the Policy"). The Audit Committee undertook an annual assessment to assess the performance, suitability and independence of the external auditors based on, amongst others, the quality of service, adequacy of resources, communication and interaction, as well as independence, objectivity and professional scepticism. The external auditors provide an annual confirmation of their independence in accordance with the terms of all professional and regulatory requirements.

Pursuant to the Policy, the Key Audit Partner ("KAP") can be classified as Engagement Partner, Engagement Quality Control Reviewer and Other Key Audit Partners. The rotation requirements of the KAP are set out as below:-

Role	Cumulative Stay-on Period	Cooling-off Period
Engagement Partner	7 years	5 years
Engagement Quality Control Reviewer	7 years	3 years
Other Key Audit Partners	7 years	2 years

* The KAP shall not act in any of the above roles, or a combination of such roles, for a period of more than seven (7) cumulative years.

In the event of a former audit partner being appointed as a member of the Board and Audit Committee, he/she shall observe a cooling-off period of at least two (2) years before such appointment.

Following its review of the external auditors' effectiveness and independence, the Audit Committee concluded that there was nothing in the performance of the external auditors which required a change and that the relevant independence requirements continue to be met. Accordingly, the Board was recommended to re-appoint Messrs PricewaterhouseCoopers PLT as auditors of the Company. A resolution for their re-appointment will be tabled for approval at the forthcoming Annual General Meeting; and

The amount of audit fees incurred for the financial year ended 31 March 2020 are as follows:-

	Audit Fees RM'000
The Company	160
The Group	635

There were no non-audit services rendered during the year.

- The Audit Committee met with the external auditors twice during the year, without the presence of management, to review key issues within their sphere of coverage and responsibility. During the private session with the external auditors, it was noted that there were no major concerns and they conveyed that the external auditors had been receiving full cooperation from the Management and staff throughout the course of their engagement;
- Recommended the proposed audit fee for the Board's approval.

4.0 Risk Management Committee

- Reviewed the Risk Management Committee's reports, assessed the adequacy and effectiveness of the risk management framework and the appropriateness of Management's responses to the identified key risk areas (including bribery and corruption risks) as well as proposed recommendations for improvements to be implemented.

5.0 Related Party Transactions

- Reviewed the related party transactions that arose within the Group to ensure that the transactions are fair and reasonable to the Group and Company, and not to the detriment of the minority shareholders.

TRAINING

During the year, all the Audit Committee members had attended various seminars, training programmes and conferences. Details of these are available at www.ijmplantations.com.

INTERNAL AUDIT FUNCTION

The Internal Audit function is outsourced to the Internal Audit Department ("IAD") of IJM which is headed by Mr Chan Weng Yew, who holds a Bachelor of Arts (Honours) in Economics from the University of Sheffield, England, is a Fellow of the Association of Chartered Certified Accountants (ACCA) and an Associate of the Institute of Internal Auditors Malaysia (IIAM), and who reports directly to the Audit Committee

on the IAD's activities based on the approved annual Internal Audit Plan. The Board has chosen to outsource this audit function as the Board is of the opinion that the operations of the Group by itself cannot support an effective IAD in terms of availability of appropriate skills and resources, which a large IAD through IJM can provide.

IJM's IAD comprises twenty (20) auditors and the level of expertise and qualifications within the IAD as at the end of the financial year ended of 31 March 2020 was as follows:

Qualification Category	Percentage of total auditors
Diploma Level	10%
Bachelor's Degree	40%
Post Graduate Degree (MBA, MA, etc)	10%
Professional Qualification (CPA, CIA , ACCA, CIMA, etc)	40%

The total Internal Audit costs incurred for the Group for the financial year ended 31 March 2020 was approximately RM598,000 (2019: RM560,000).

The internal auditors have direct access to the Audit Committee and the Chief Executive Officer & Managing Director. The Audit Committee is satisfied that the internal auditors' independence have been maintained as adequate safeguards are in place. All internal auditors have signed the annual declarations that they were and had been independent, objective and in compliance with the Code of Conduct and Ethics for Employees of IJM, MIA, and IIAM in carrying out their duties for the financial year.

The IAD provides to the Board (primarily via the Audit Committee) and to Management reasonable assurance on the effectiveness of the Group's systems of internal control and the adequacy of these systems to manage business risks and to safeguard the Group's assets and resources.

The Internal Audit Charter sets out the purpose, functions, scope and responsibilities of the IAD and how it maintains independence from the first and second lines of defence by Management. The four main functions of IAD are to:

- Assess and report on the effectiveness of the design and operation of the framework of controls which enable risks to be assessed and managed;
- Assess and report on the effectiveness of management actions to address deficiencies in the framework of controls;
- Investigate and report on cases of suspected employee fraud and malpractice, if any; and
- Undertake designated consulting services for Management provided that they do not threaten IAD's independence from Management.

AUDIT COMMITTEE REPORT

The Internal Audit Plan for 2019-2020 which was approved by the Audit Committee in February 2019 reflected the Group's 2019-2020 Operational Plan that was prioritised following a risk-based assessment of the business and a review against the Group's risk policies. The reviews carried out covered an extensive sample of controls over all risk types, business units and entities. During the year, the Internal Audit Plan for 2020-2021 was reviewed and approved by the Audit Committee in February 2020.

The IAD adopts a risk based auditing approach, guided by the International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors Malaysia, prioritising audit assignments based on the Group's business activity, risk management and past audit findings. They evaluated the adequacy and effectiveness of key controls in responding to risks within the organisation's governance, operations and information systems, in terms of:

- Reliability and integrity of financial and operational information;

- Effectiveness and efficiency of operations;
- Safeguarding of assets; and
- Compliance with relevant laws, regulations and contractual obligations.

All internal control deficiencies were reported to the appropriate levels of Management when identified. The Audit Committee received quarterly reports from the IAD on audit reviews carried out, Management's responses to the findings and progress in addressing identified issues. The Management members were made responsible for ensuring that timely corrective actions on the reported control deficiencies were taken within the required timeframes. IAD conducted follow-up audits on key engagements to ensure that the corrective actions were implemented appropriately. In this respect, IAD has added value to enhancing the governance, risk management and control processes within the Group.

The Audit Committee reviewed and approved the IAD's financial budget and human resource requirements to ensure that the function is adequately resourced.

INTERNAL AUDIT ACTIVITIES FOR THE FINANCIAL YEAR

During the financial year, the IAD completed and reported on 37 audit assignments covering the operations in the head office, regional office and the estates and mills both in Malaysia and Indonesia. This included ad-hoc audits conducted on the basis of special requests from the Board, Audit Committee, Senior Management or those arising from the Group's Whistle Blowing Programme.

The IAD also plays an active advisory role in the review and improvement of existing internal controls within the Group.

The Internal Auditors also strive to continuously keep updated with current developments to equip themselves with the awareness to address new risks as well as the knowledge to better understand existing ones. A total of 561 hours were spent on structured training and development, which averages

to 28 hours per person per annum. This is in addition to the numerous hours spent on self-learning for audit purposes. The category of structured trainings attended are as follows:

Training & Development Category	Percentage of hours
Technical (e.g. auditing, accounting, tax)	70%
Management, Leadership & Soft skills	19%
Industry related trainings	11%

IJM is a Corporate Member of The Institute of Internal Auditors Malaysia (IIAM).

This Audit Committee Report is made in accordance with the resolution of the Board of Directors dated 5 August 2020.