



## **Audit Committee Charter**

**PT PROVIDENT AGRO, Tbk.  
Year 2013**

# CHAPTER I

## INTRODUCTION

### 1.1. BACKGROUND

PT Provident Agro Tbk, hereinafter to be referred to as PAG, as a company listed on Indonesia Stock Exchange (IDX) should comply with all provisions of laws and regulations in capital market whereby PAG stocks are listed and PAG also has to comply with all regulations related to the company operations.

To encourage that PAG is managed in accordance with Good Corporate Governance (GCG) principles implemented consistently and complied with those regulations related to the company operations, PAG needs to form Audit Committee which works professionally and independently to assist the Board of Commissioners in performing their oversight functions.

### 1.2. VISION AND MISSION

Vision

To become an Audit Committee which has high integrity and works professionally and independently in carrying out its duties.

Mission

To assist the Board of Commissioners in carrying out their oversight functions, especially to encourage that PAG is managed by healthy management in accordance with GCG principles.

### 1.3. PURPOSES AND OBJECTIVES

This Audit Committee Charter, hereinafter to be referred to as Charter, is organized as a guideline to carry out Audit Committee's duties and responsibilities efficiently, transparently, competently, independently, and accountably so that they can be accepted by all stakeholders.

## **CHAPTER II**

### **AUDIT COMMITTEE FORMATION, ORGANIZATION, AND TERM OF SERVICE**

#### **2.1. DEFINITION**

In accordance with the Decree of Bapepam No. KEP-643/BL/2012, referred to as Audit Committee is the Committee formed by and responsible to the Board of Commissioners assigned to help the Board of Commissioners in performing their duties and functions.

#### **2.2. FORMATION**

The Audit Committee is appointed and terminated by the Board of Commissioners.

#### **2.3. ORGANIZATION**

##### **a. Membership Structure**

- 1) The Audit Committee at least consists of 1 (one) Independent Commissioner and at least two (2) expert members who are not PAG's employees.
- 2) The Independent Commissioner Member of the Audit Committee to act as the Chairman of Audit Committee.

##### **b. Membership**

- 1) Members of the Audit Committee are appointed and terminated by the Board of Commissioners.
- 2) The Chairman of the Audit Committee has the right to propose the replacement of a member if one of the members ends his/her term of service, resigns, and/or is terminated.

##### **c. Membership Requirements**

- 1) Competency Requirements
  - a. Having high integrity, ability, knowledge, and experience according to educational background, as well as able to communicate well.
  - b. Understanding financial reports, PAG's businesses, audit process, risk management, and regulations in the Capital Market, as well as other related laws and regulations.
  - c. Should comply with Audit Committee's codes of conduct enforced by PAG.
  - d. Willing to improve competency continuously through educations and trainings.
  - e. At least one of the members of the Audit Committee should have accounting or finance educational background and experience.
  - f. Must provide adequate time to perform his/her duties.

2) Independency Requirements

- a) Not insiders of Public Accountant Office, Legal Consultant Office, Public Appraisal Service Office, and other parties that provide assurance services, non-assurance services, appraisal services, and/or other consultancy services to PAG within 6 (six) months prior to the appointment by the Board of Commissioners.
- b) Not those persons who work or have the authorities and responsibilities for planning, leading, controlling, or overseeing PAG's activities within the last 6 (six) months, except the Independent Commissioner.
- c) Do not have PAG shares, either directly or indirectly. In case of members of the Audit Committee receive the shares as a result of legal events, then within the period of at the longest 6 (six) months after receiving the shares, they should be transferred to other parties.
- d) Do not have affiliated relationships with PAG, members of the Board of Commissioners, members of the Board of Directors, or PAG majority shareholders.
- e) Do not have business relationships, directly or indirectly related to PAG's business activities.

**d. Term of Service**

- 1) For Independent Commissioner who is concurrently a member of the Audit Committee, his tenure is the same as the appointment period as Independent Commissioner by the General Meeting of Shareholders.
- 2) For those members of the Audit Committee who are not Commissioners their tenures may not be longer than the term of office of the Board of Commissioners and may be reelected.
- 3) The Board of Commissioners may terminate members of the Audit Committee any time if they are considered not carrying out their duties properly as contained in this Charter.

## **CHAPTER III**

### **DUTIES, RESPONSIBILITIES, AND AUTHORITIES**

Audit Committee has the duties and is responsible to provide professional and independent opinions to the Board of Commissioners on reports or matters submitted/assigned by the Board of Commissioners, and carry out other duties related to the duties of the Board of Commissioners. In order that the Audit Committee may take part efficiently and effectively, then its duties, responsibilities, and authorities are provisioned below.

#### **3.1. DUTIES**

##### **3.1.1. Financial Information Review**

Review of to be published financial information such as financial reports, projections, and other financial information is done to encourage so that the financial information published by PAG shall be reliable. The review can be done through:

- a. Review on independent auditor's audit results.
- b. Review on to be published financial information preparation process.

##### **3.1.2. Compliance With Laws and Regulations**

Audit committee monitors to ensure that PAG's operational activities are performed by complying with applicable capital market laws and regulations and other laws and regulations pertaining to PAG's operational activities.

- a. To ensure that management provides written representations stating that: (1) management is responsible for PAG's compliance with applicable laws and regulations, and (2) management does not violate the applicable laws and regulations.
- b. Monitoring can be done through:
  - 1) Review on management or PAG legal counsel's reports related with the applicable laws and regulations.
  - 2) Review on findings or results of audit conducted by regulator agencies, independent auditors, and internal auditors.
- c. If indications are found that there have been violations on the applicable laws and regulations, Audit Committee may expand its review with investigation audit to determine the impact and magnitude of losses due to the violations. To carry out the audit investigation, the Audit Committee may ask for the assistances of the Internal Auditors or external auditors to be appointed by the Audit Committee.

##### **3.1.3. Selection, Appointment, and Supervision of Independent Auditor's Works**

To conduct general audit on PAG's financial reports, the Audit Committee contributes to do:

**a. Selection, Appointment, and Supervision of Independent Auditor**

- 1) Audit Committee selects and recommends independent auditor candidates which will audit PAG's financial reports to the Board of Commissioners.
- 2) In the independent auditors selection process, the Audit Committee should refer to those provisions regarding legality, competency, and independency of public accountant prevailing in Indonesia.

**b. Independent Auditor Work Supervision**

- 1) To review the Audit Planning and the adequacy of audit program as well as monitor audit performance on sites.
- 2) To monitor audit findings discussions performed by the auditor with the management and other important things that need attentions, and if any, to be reported to the Board of Commissioners in writing.
- 3) To ensure that the independent auditor communicates those mentioned below, namely:
  - a. Level of the independent auditor's responsibility to internal control in presenting financial reports.
  - b. Significant accounting policy changes.
  - c. Significant weaknesses in internal control implementation and design.
  - d. Recording method, reporting and impacts of significant extraordinary transactions to financial reports.
  - e. Fraud and irregularities against laws and regulations done by management or employees that cause material misstatements in financial reports.
  - f. Significant audit corrections.
  - g. Procedures performed by the independent auditor on the annual reports containing audited financial statements.
  - h. Disagreements with the management regarding the determination of accounting principles, audit scope, disclosures in the financial statements, and the wordings used by the independent auditor in its audit report.
  - i. Consultancies by management with other public accounting firms and the independent auditor's opinion on the consultation issues.
  - j. Obstacles in the performance of audit.
- 4) To ensure that the drafts of audited financial statements are received 10 (ten) days before publication for the review by the Audit Committee.
- 5) The Audit Committee may recommend termination of service of the independent auditor to the Board of Commissioners if there is a strong indication that the independent auditor may be intervened or proven not to carry out the audits in accordance with the audit standards of public accountant.

**c. Independent Opinion Provision**

In case of disagreements between management and the independent auditor for the services rendered, the audit committee will provide independent opinion on these. In this case, the Audit Committee may ask the third party to provide its opinion.

#### **3.1.4. Non-Audit Services Pre-Approval**

To conduct pre-approval evaluation for non-audit services of an independent auditor who is being assigned to provide audit services, to evaluate its independency.

Related to independency aspects, the Audit Committee should pay attentions to non-audit services which are in accordance with the prevailing laws and regulations in Indonesia as well as in PAG may intervene the independency of the independent auditor. The non-audit services intervening the independency are:

- a. Bookkeeping or other services related to accounting records or financial statements.
- b. Design and implementation of financial information systems services.
- c. Internal audit services.
- d. Management consulting services.
- e. Human resources consulting services,
- f. Financial advisory services.
- g. Taxation services, except by prior approval of Audit Committee. The Audit Committee's approval does not include taxation services to represent PAG in and out of taxation court and/or act for and on behalf of PAG in taxation calculation and reporting; or
- h. other services that may cause conflicts of interest.

Non-audit services other than those as mentioned above can be assigned to the independent auditor after obtaining pre-approval of the Audit Committee and should be implemented in the following manners:

- a. The Board of Directors submit to the Audit Committee (through Board of Commissioners) detailed descriptions on the types of services to be assigned to the independent auditor.
- b. In the pre-approval process, the Audit Committee should perform evaluations and analyses to determine whether the non-audit services to be assigned to the independent auditor will intervene the independency or cause conflicts of interest.
- c. The pre-approval of the Audit Committee can only be provided if based on the evaluation and analysis results, the non-audit services would not disturb independency or create conflicts of interest.

The pre-approval of the Audit Committee on the non-audit services assigned to the independent auditor may be excluded if:

- The value of all non-audit services rendered by the independent auditor to PAG is not more than 5% of total audit fees paid by PAG to the independent auditor in the fiscal year when the non-audit services are rendered.

#### **3.1.5. Internal Control Effectiveness**

The Audit Committee conducts a review on the design and implementation of policies and procedures to obtain reasonable assurances on the effectiveness of internal control so that material misstatements of financial statements, misuses of assets, and violations against the laws and regulations can be prevented.

- a. An understanding on internal control is obtained from the Management's presentation on the design and implementation of internal control.
- b. The Audit Committee should receive periodical internal audit reports from Internal Audit as materials to identify internal control possible weaknesses.
- c. To improve internal control effectiveness, Audit Committee may provide inputs to the management in order to improve Internal Audit's performance.
- d. The Audit Committee should coordinate with the Internal Audit to:
  - 1) Hold regular meetings (eg monthly) to discuss internal auditor's findings and/or other things containing indications of the internal control's weaknesses, including accounting standards misapplications.
  - 2) If necessary, the Audit Committee may ask the Internal Audit to expand its review to evaluate nature, scope, magnitude, and impact of significant weaknesses of internal control and their influences on the financial statements.
- e. In the internal control effectiveness review process, the Audit Committee can use the independent auditor's reports to identify the internal control's possible weaknesses.
- f. In every beginning of the year, the Audit Committee reviews and provides inputs on AAWP (Annual Audit Work Program) prepared by the Internal Audit.
- g. Internal Audit Work designations and notifications or Internal Audit organization structure changes should take into account the advices of the Board of Commissioners/Audit Committee.

### **3.1.6. Risks Reporting and Risk Management Implementation**

The Audit Committee overviews risk identification process and risk management implementation undertaken by management. Audit Committee ensures that Internal Audit in its audit planning has taken into account PAG's high risk activities.

### **3.1.7. Complaints Handling or Financial Reports Violation Suspects**

#### **a. Complaint Requirements**

1. Complaints to be submitted in writing.
2. If the complainants provide their identifications, Audit Committee to conceal them.
3. Providing indications regarding accounting standards deviations, internal control weaknesses, and frauds as well as management improper behaviors that may be detrimental to the Company.

#### **b. Complaints Investigation**



In handling complaints of third parties, the Audit Committee may request an investigation audit by cooperating with internal auditor and/or management and/or assigning Company's external consultants or independent outside experts.

**c. Investigation Results**

If from the investigation results it is proved that complaints are true, then:

1. The Audit Committee forwards the results to the Board of Commissioners;
2. The Audit Committee monitors the follow-ups of investigation results, if requested by the Board of Commissioners.

**3.1.8. Conflicts of Interest**

Reviewing and providing advices to the Board of Commissioners related to PAG's conflicts of interest potentials.

**3.1.9. The Board of Directors Meeting Decisions Review**

On the requests of the Board of Commissioners, Audit Committee may review the possible mistakes in the decisions of the Board of Directors meeting or irregularities in the implementation of the decisions of the Board of Directors meeting.

**3.1.10. Special Duties**

- a. Assigning special duties to the Audit Committee by the Board of Commissioners to be conducted through written orders describing:
  - 1) The names of members of Audit Committee assigned.
  - 2) Work scope and nature.
  - 3) Work goals and objectives.
  - 4) Work assignment timeframe, and
  - 5) Work administrative aspects which related with these special duties.
- b. Special duties can cover but not limited to reviewing possible mistakes in the decisions of the Board of Directors meeting or irregularities in the implementation of the decisions of the Board of Directors meeting.
- c. The performance of special duties of the Audit Committee, among others can:
  - 1) Be done through reviews on all records, documents, and other required information including Minutes of Meeting of the Board of Directors and the Board of Commissioners.
  - 2) Asking the Board of Directors and their Staffs which results are contained in Questions and Answers Minute signed by related parties.
  - 3) If deemed necessary, to conduct investigation audits through cooperation with internal or external auditors assigned by Audit Committee.

### **3.1.11. Documents Confidentiality**

Audit Committee members should keep the confidentiality of PAG's documents, data, and information.

### **3.1.12. Audit Committee Self Assessment**

Audit Committee performs self-assessment on the effectiveness of its duties performance and periodically updates Audit Committee Charter.

## **3.2. AUTHORITY**

- a. Audit Committee is authorized to access all relevant documents, data, and information related to the performance of its duties and should cooperate with Internal Audit and/or management.
- b. Audit Committee is authorized to communicate directly with employees including the Board of Directors and those performing Internal Audit functions, risk management, and the accountant related to its duties and responsibilities.
- c. In performing the authorities as mentioned by letters a and b above, Audit Committee should cooperate with the related committees, Internal Audit, and other related units.
- d. The work mechanism as mentioned by letter b above must follow the work procedures in accordance with the applicable laws and regulations.
- e. Audit Committee is authorized to involve independent parties outside its members who are required to assist the performance of its duties (if necessary).
- f. Performing other authorities assigned by the Board of Commissioners.

**CHAPTER IV**  
**MEETING AND REPORTING**

**4.1. AUDIT COMMITTEE MEETING**

- a. Audit Committee at least holds a meeting once in 3 (three) months.
- b. Audit Committee meetings may make decisions if at least attended by more than 1/2 (half) of the number of members.
- c. Decisions of Audit Committee meetings are made based on consensus.
- d. Audit Committee meetings are chaired by the Chairman of Audit Committee or the most senior member, if the Chairman is absent.
- e. If necessary, the Audit Committee may invite other parties related to the meeting agendas to attend the meeting.
- f. The decisions of Audit Committee meetings are outlined in minutes of meeting including if there are dissenting opinions, signed by all attended members of Audit Committee, and submitted to the Board of Commissioners.

**4.2. REPORTING**

- a. Audit Committee should submit review result reports to the Board of Commissioners on each assignment given.
- b. Audit Committee should make Audit Committee Activities Performance Annual Report to be contained in PAG's Annual Report.
- c. Routinely, at least 1 (once) in 3 (three) months, Audit Committee reports to the Board of Commissioners regarding its activities, problems faced, and related recommendations.
- d. Every year Audit Committee through the Board of Commissioners reports to GMS regarding its responsibilities, achievements, and other necessary information.

## **CHAPTER V**

### **CLOSURE**

#### **EFFECTIVENESS AND EVALUATION**

1. This Charter is effective since 21 March 2013.
2. This Charter will be periodically evaluated for improvements.
3. Audit Committee's performance evaluation, both individually and collectively, is performed every year by self-assessment and the results to be submitted to the Board of Commissioners together with Audit Committee Activities Performance Annual Report.

Enforced: in Jakarta  
Date: 21 March, 2013.

**The Board of Commissioners  
PT Provident Agro Tbk.**



Nama : Ir. Maruli Gultom  
Jabatan : Presiden Komisaris

Nama : Edwin Soeryadjaya  
Jabatan : Komisaris

Nama : Winato Kartono  
Jabatan : Komisaris

Nama : Drs. H. Mustofa, Ak.  
Jabatan : Komisaris Independen

Nama : Teuku Djohan Basyar  
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Nama : Johnson Chan  
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