

**ORNAPAPER BERHAD**

[Registration No. 200201006032 (573695-W)]  
(Incorporated in Malaysia)

**TERMS OF REFERENCE OF AUDIT COMMITTEE**

(Revised on 30 December 2021)

**1. Objectives**

The principal objectives of the Audit Committee are to assist the Board of Directors in discharging its statutory and fiduciary duties and responsibilities relating to accounting and reporting practices of the Group and the Company. In addition, the Audit Committee shall:-

- (a) evaluate the quality of the audits performed by the internal and external auditors;
- (b) provide assurance that the financial information presented by management is relevant, reliable and timely;
- (c) oversee compliance with laws and regulations and observance of a proper code of conduct; and
- (d) determine the quality, adequacy and effectiveness of the Group and Company's control environment.

**2. Composition of Members**

The Board shall appoint the Audit Committee members from amongst themselves, comprising no fewer than three (3) Non-Executive Directors. All of the Audit Committee members shall be Independent Directors. Chairman of the Board shall not be a member of the Audit Committee.

*In this respect, the Board adopts the definition of "independent director" as defined under the Chapter 1 of Main Market Listing Requirements ("**MMLR**") of Bursa Malaysia Securities Berhad ("**Bursa Securities**").*

All members of the Audit Committee shall be financially literate and at least one (1) member of the Audit Committee must be:-

- a. a member of the Malaysian Institute of Accountant ("**MIA**"); or
- b. if he is not a member of MIA, he must have at least three (3) years of 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 the accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
- c. fulfils such other requirements as prescribed or approved by Bursa Securities.

No alternate director shall be appointed as a member of the Audit Committee.

(Terms of Reference of Audit Committee - cont'd)

Former partner of the external audit firm of the Group (including all former partners of the audit firm and/or the affiliate firm) will require to observe a cooling off period of at least three (3) years before being appointed as a member of Audit Committee.

*The definition of former partner follows the definition as mentioned in the Malaysian Code of Corporate Governance.*

The term of office and performance of the Audit Committee and each of its members shall be reviewed by the Nomination Committee annually to determine whether such Audit Committee and members have carried out their duties in accordance with their terms of reference.

All members of the Audit Committee should possess a wide range of necessary skills and undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules in order to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

### **Retirement and resignation**

If a member of the Audit Committee resigns, dies, or for any reason ceases to be a member resulting in non-compliance to the composition criteria as stated in paragraph 2 above, the Board shall within three (3) months of the event appoint such number of the new members as may be required to fill the vacancy.

### **3. Chairperson**

The members of the Audit Committee shall elect a Chairperson from amongst their number who shall be an Independent Director. The Chair of the Audit Committee shall not be a Chair of the Board.

In the absence of the Chairperson of the Audit Committee, the other members of the Audit Committee shall elect amongst themselves a Chairperson who must be an Independent Director to chair the meeting.

The role of the Chairperson is planning and conducting meetings, overseeing reporting to the Board, encouraging open discussion during meetings, and developing and maintaining active on-going dialogue with Management, the internal auditors and the external auditors. The Chairperson should also attend the Shareholders' Meeting to answer any shareholder's questions on the Committee's activities.

In the event of any vacancy in the Chairperson of the Audit Committee resulting in non-compliance of the MMLR of Bursa Securities, the election of an independent Chairperson of the Audit Committee shall be filled within three (3) months.

### **4. Secretary**

The Company Secretary shall be the Secretary of the Audit Committee and as a reporting procedure, the Minutes shall be circulated to all members of the Board.

(Terms of Reference of Audit Committee - cont'd)

**5. Meetings**

The Audit Committee shall meet at least four (4) times in each financial year, with due notice of issues to be discussed, and shall record its conclusions in discharging its duties and responsibilities. In addition, the Chairperson may call for additional meetings at any time at the Chairperson's discretion.

The Audit Committee members may participate in a meeting by means of conference telephone, conference videophone or any similar or other communications equipment by means of which all persons participating in the meeting can hear each other. Such participation in a meeting shall constitute presence in person at such meeting and shall be entitled to vote or be counted in a quorum accordingly.

Upon the request of the external auditor and internal auditor, the Chairperson of the Audit Committee shall convene a meeting of the Audit Committee to consider any matter the external auditor or internal auditor believes should be brought to the attention of the Directors or Shareholders.

Notice of Audit Committee meetings shall be given to all the Audit Committee members unless the Audit Committee waives such requirement.

The Chairperson of the Audit Committee shall engage on a continuous basis with the Senior Management, such as the Chief Executive Director, the Head of Finance, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Company.

The Head of Finance, the head of internal audit, a representative of the external auditors, other Board members and employees may attend meetings upon the invitation of the Audit Committee. The Audit Committee shall be able to convene meetings with the external auditors, the internal auditors or both, without the executive Board members or employees present whenever deemed necessary and at least twice a year with the external auditors.

Questions arising at any meeting of the Audit Committee shall be decided by a majority of votes of the members present, and in the case of equality of votes, the Chairperson of the Audit Committee shall have a second or casting vote.

**6. Minutes**

Minutes of each meeting shall be kept at the registered office and distributed to each member of the Audit Committee and also to the other members of the Board. The Audit Committee Chairperson shall report on each meeting to the Board.

The minutes of the Audit Committee meeting shall be signed by the Chairperson of the meeting at which the proceedings were held or by the Chairperson of the next succeeding meeting.

**7. Quorum**

The quorum for the Audit Committee meeting shall be the majority of members present whom must be Independent Directors.

(Terms of Reference of Audit Committee - cont'd)

**8. Circular Resolution**

A resolution in writing signed by a majority of the Audit Committee members whom must be Independent Directors for the time being shall be as valid and effectual as if it had been passed at a meeting of the Audit Committee duly called and constituted.

Any such resolution may consist of several documents in like form, each signed by one (1) or more Audit Committee members. Any such document may be accepted as sufficiently signed by an Audit Committee member if transmitted to the Company by telex, telegram, cable, facsimile or other electrical or digital written message to include a signature of an Audit Committee member.

**9. Authority**

The Audit Committee shall, in accordance with a procedure to be determined by the Board and at the expense of the Company,

- a. have explicit authority to investigate any matter within its terms of reference, the resources to do so, and full access to information. All employees shall be directed to co-operate as requested by members of the Audit Committee.
- b. have full and unlimited/unrestricted access to all information and documents/resources which are required to perform its duties as well as to the internal and external auditors and senior management of the Company and Group.
- c. obtain independent professional or other advice and to invite outsiders with relevant experience to attend, if necessary.
- d. have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any).
- e. where the Audit Committee is of the view that the matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the Audit Committee shall promptly report such matter to Bursa Securities.
- f. convene meetings with the external auditors, without the presence of executive members of the Board, whenever deemed necessary.

**10. Duties and Responsibilities**

The duties and responsibilities of the Audit Committee are as follows:-

- (1) To regulate the procedure on the custody, production and inspection of the Audit Committee meetings minutes;
- (2) To review the Audit Committee Report and Statement on Risk Management and Internal Control for inclusion in the Annual Report;
- (3) To report its findings on the financial and management performance, and other material matters to the Board;

(Terms of Reference of Audit Committee - cont'd)

- (4) To assess the suitability, objectivity and independence of the external auditor for consideration of appointment and re-appointment of the external auditor and any question of resignation or dismissal;
- (5) To ensure that written assurance from the external auditors is obtained annually on their independence throughout the audit engagement in accordance with the terms of all relevant professional and regulatory requirements and to ensure the external auditor confirm that they are not aware of any relationship between them and the Group that may reasonably impair their independence;
- (6) To review the appropriateness of external audit fees to support quality audit;
- (7) To undertake follow-up measures, where required, on the conduct of annual evaluation on the performance of external auditor;
- (8) To discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- (9) To discuss any significant audit findings, reservations and difficulties encountered arising from the interim and final audits, or material internal control weaknesses reported by the external auditors and any matter the external auditors may wish to discuss (in the absence of Management).
- (10) To review with the external auditor his evaluation of the system of internal controls and his audit report;
- (11) To review the policy governing the circumstances under which contracts for the provision of non-audit services can be entered into and procedures that must be followed by the external auditors, i.e. the **Policies and Procedures to Assess the Suitability and Independence of and the Provision of Non-Audit Service by External Auditors**;
- (12) To review and approve the provision of non-audit services by the external auditor before it is rendered to the Company;
- (13) To ensure that the provision of non-audit services by the external auditor and its network firms/companies comply with the policy on the provision of non-audit services by external auditor such that the objectivity and independence of the external auditor is not impaired;
- (14) To monitor the integrity of the financial reporting and review the quarterly and year-end financial statements of the Board, focusing particularly on –
  - any change in accounting policies and practices;
  - significant adjustments arising from the audit;
  - the going concern assumption; and
  - compliance with accounting standards and other legal requirements.

(Terms of Reference of Audit Committee - cont'd)

- (15) To review and provide advice on whether the financial statements taken as a whole provide a true and fair view of the Company's financial position and performance;
- (16) To discuss 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);
- (17) To review the external auditor's management letter and management's response;
- (18) To disclose assistance given by the employees of the Company to the external auditor, if any;
- (19) To do the following, in relation to the internal audit function:-
  - 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;
  - ensure that the internal auditor continuously keep abreast with developments in the profession, relevant industry and policies with updates of the internal audit team's resources, skillset and training on at least an annual basis;
  - review the internal audit reports and results of the internal audit process and ensure that appropriate and necessary corrective actions are taken on the recommendations of the internal audit function in a timely manner to address control weaknesses, non-compliance with regulatory requirements and other problem identified by the internal audit function;
  - review and approve internal audit plans and scope of audit;
  - review any appraisal or assessment of the performance of members of the internal audit function and be satisfied that the internal audit should be carried out objectively and is independent from Management of the Company and the functions which it audits and report its findings directly to the Audit Committee.;
  - review and approve budget or fees for the internal audit function;
- (20) To review and consider any related party transactions 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;
- (21) To report its findings on the financial and management performance, and other material matters to the Board;
- (22) To consider the major findings of internal investigations and management's response;

(Terms of Reference of Audit Committee - cont'd)

- (23) To verify the allocation of employees' share option scheme ("ESOS") in compliance with the criteria as stipulated in the by-laws of ESOS of the Company and relevant laws and regulations, if any;
- (24) To review and assess the Group's anti bribery and corruption management and Anti Bribery and Corruption ("ABC") Framework to ensure its adequacy and effectiveness in line with the ABC commitment and risk appetite by the Board and whether it is in line with the Group's mission, vision, strategies and business objectives with the results and recommendation reported to the Board;
- (25) To exercise its powers and carry out its responsibilities as may be required from time to time under the Whistleblowing Policy for the Company and the Group;
- (26) To monitor the Group's compliance with relevant laws, regulations and code of conduct;
- (27) To consider other topics as defined by the Board; and
- (28) To consider and examine such other matters as the Audit Committee considers appropriate.

The Terms of Reference shall be reviewed and updated at least once every three (3) years by the Audit Committee or as and when there are changes to the Malaysian Code on Corporate Governance and Main Market Listing Requirements that may have an impact on the discharge of the Audit Committee's responsibilities.

The Audit Committee should recommend any change to the terms of reference to the Board for approval.