

**ORNAPAPER BERHAD**  
(Company. No. 200201006032 (573695-W)  
(Incorporated in Malaysia)

**TERMS OF REFERENCE OF AUDIT COMMITTEE**

(Version 1.1)

(Revised on 15 November 2024)

**1. OBJECTIVES**

The principal objectives of the Audit Committee (“AC”) are to assist the Board of Directors (“the Board”) of Ornapaper Berhad (“Ornapaper” or “the Company”) and its subsidiaries (“the Group”) in discharging its statutory and fiduciary duties and responsibilities relating to accounting and reporting practices of the Group and the Company. In addition, the AC 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 AC members from amongst themselves, comprising no fewer than three (3) Non-Executive Directors. All AC members shall be Independent Directors. The Chairman of the Board shall not be a member of the AC.

*In this respect, the Board adopts the definition of “independent director” as defined under Chapter 1.01 and Practice Note 13 of Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”).*

All members of the AC shall be financially literate and at least one (1) member of the AC 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 AC.

Former partner of the external audit firm of the Group (including all former partners of the audit firm and/or the affiliate firm including those providing advisory services, tax consulting etc.) shall observe a cooling-off period of at least three (3) years before being appointed as a member of AC.

*The definition of former partner follows the definition mentioned in the Malaysian Code of Corporate Governance (“MCCG”).*

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

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

All members of the AC 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 their duties. All members should be financially literate and be able to understand matters under the purview of the AC including the financial reporting process.

### **Retirement and Resignation**

If a member of the AC 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 AC shall elect a Chairperson from among themselves who shall be an Independent Director. The Chair of the AC shall not be a Chair of the Board.

In the absence of the Chairperson of the AC, other members of the AC shall elect amongst themselves as the Chairperson 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 ongoing dialogues with the Management, Internal Auditors and External Auditors. The Chairperson should also attend the general meetings to answer any shareholder's questions and concerns on the AC's activities.

### **4. SECRETARY**

The Company Secretary shall be the Secretary of the AC and as a reporting procedure, the minutes of AC meetings shall be circulated to all members of the Board.

### **5. MEETINGS**

The AC 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 AC members may participate in a meeting by means of conference telephone, conference videophone or any similar or other communications equipment that allows all participants to hear each other. Participation through these means shall constitute presence in person at the 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 AC shall convene a meeting to consider any matter the external auditor or internal auditor believes should be brought to the attention of the Directors or Shareholders.

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

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

The Chairperson of the AC shall engage continuously with Key Senior Management, such as the Chief Executive Director ("CED"), the Head of Finance and Accounts Department, the Head of Internal Audit and the External Auditors in order to be kept informed of matters affecting the Company.

The Head of Finance and Accounts Department, the Head of Internal Audit, a representative of the External Auditor, other Board members and employees may attend meetings upon the invitation of the AC. The AC shall be able to convene meetings with the External Auditors, the Internal Auditors or both, without the presence of executive Board members or employees whenever deemed necessary and at least twice a year with the External Auditors.

Questions arising at any meeting of the AC shall be decided by a majority of votes of the members present, and in the case of equality of votes, the Chairperson of the AC 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 AC and the other members of the Board. The Chairperson of the AC shall report on each meeting to the Board.

The minutes of the AC 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 AC meeting shall be the majority of members present, and the members must be Independent Directors.

## **8. CIRCULAR RESOLUTION**

A resolution in writing signed by a majority of the AC members who 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 AC duly called and constituted.

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

## **9. AUTHORITY**

The AC 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 cooperate as requested by members of the AC.
- b. regulate the procedure on the custody, production and inspection of the minutes of AC meetings.

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

- c. 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.
- d. obtain independent professional or other advice and invite outsiders with relevant experience to attend, if necessary.
- e. have direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity (if any).
- f. where the AC is of the view that the matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of MMLR, the AC shall promptly report such matter to Bursa Securities.
- g. 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 AC are as follows:-

- (1) 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;
- (2) To report its findings on the financial and management performance, and other material matters to the Board;
- (3) To consider the major findings of internal investigations and management's response;
- (4) To monitor the integrity of the financial reporting and review the quarterly results and year-end financial statements, before the approval by the Board, focusing particularly on –
  - changes in or implementation of major accounting policy changes;
  - significant matters highlighted, significant and unusual events or transactions, and how these matters are addressed;
  - the going concern assumption; and
  - compliance with accounting standards and other legal requirements.
- (5) To prepare the Audit Committee Report for inclusion in the Company's Annual Report covering:
  - the composition of the AC, including the name, designation (indicating the Chairperson of the AC) and directorship of the members (indicating whether the Directors are independent or otherwise);
  - the number of AC meetings held during the financial year and details of attendance of each AC member;
  - a summary of the work of the AC in the discharge of its functions and duties for that financial year of the listed issuer and how it has met its responsibilities;
  - a summary of the work of the internal audit function; and

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

- a summary of any conflict of interest or potential conflict of interest situation reviewed by the AC pursuant to Paragraph 15.12(1)(h) of MMLR by Bursa Securities (excluding a related party transaction), and the measures taken to resolve, eliminate, or mitigate such conflicts.
- (6) To review the following for publication in or together with the Company's Annual Report as well as to review the Annual Report and recommend for the Board's approval;
- the Corporate Governance Overview Statement in the Annual Report and Corporate Governance Report which discloses the Company's application or departure of the Practices set out in the MCCG during the financial year;
  - the disclosure statement on the state of the risk management and internal controls of the Company and of the Group (i.e.; Statement on Risk Management and Internal Control);
  - the statement on the Board's responsibility for the preparation of the annual audited financial statements, and;
  - other disclosures forming the contents of the Annual Report spelt out in Part A of Appendix 9C of MMLR.
- (7) In respect of External Auditors of the Company and the Group:-
- To assess the suitability, objectivity and independence of the External Auditors for consideration of appointment and re-appointment of the External Auditors and any question of resignation or dismissal;
  - 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 confirms that they are not aware of any relationship between them and the Group that may reasonably impair their independence;
  - To review the appropriateness of external audit fees to support quality audit;
  - To undertake follow-up measures, where required, on the conduct of annual evaluation on the performance of External Auditors;
  - 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;
  - 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).
  - To review with the External Auditor his evaluation of the system of internal controls and his audit report;
  - 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**;

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

- To review and approve the provision of non-audit services by the External Auditor before it is rendered to the Company;
  - 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;
  - To discuss problems and reservations arising from the interim and final audits, and any matter the External Auditor may wish to discuss (in the absence of management, where necessary);
  - To review the External Auditor's management letter and management's response; and
  - To ensure assistance is given by the employees of the Company to the External Auditor;
- (8) In respect of the internal audit function of the Company and the Group:-
- To review and recommend for the Board's approval the Internal Audit Charter;
  - To review and approve internal audit plans and scope of work;
  - To 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, including their appointment and removal;
  - To review and approve budget or fees for the internal audit function;
  - To ensure the Internal Auditors continuously keep abreast with developments in the profession, relevant industry and regulations to ensure they can perform their role effectively;
  - To 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 problems identified by the internal audit function;
  - In developing the scope of the internal audit function, to ensure the internal auditor possesses relevant experience, sufficient standing, and authority to perform their duties effectively. Additionally, ensure that the internal audit function has adequate resources and access to necessary information to fulfil its role effectively. The personnel assigned to the internal audit should also have the required competency, experience, and resources to carry out their responsibilities effectively;
  - To 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 of Management of the Group and the functions which it audits and report its findings directly to the AC.
- (9) To review and consider any related party transaction and conflict of interest situation that arose, persist or may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of Management integrity, and the measures taken to resolve, eliminate, or mitigate such conflicts;

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

- (10) To coordinate with Board Risk Management Committee (“BRMC”) on the activities of the internal audit function of the Group in relation to the review of risk management policy, structure, processes and activities and to ensure significant business risks are adequately managed by the Group;
- (11) 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;
- (12) To monitor the Group’s compliance with relevant laws, regulations and code of conduct;
- (13) 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;
- (14) 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;
- (15) To consider other topics as defined by the Board; and
- (16) To consider and examine such other matters as the AC considers appropriate.

## **11. REVIEW OF THE TERM OF REFERENCE**

The Terms of Reference shall be reviewed and updated at least once every three (3) years by the AC or as and when there are changes to the MCCG and MMLR that may have an impact on the discharge of the AC’s responsibilities.

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