

BP PLASTICS HOLDING BHD

(Company No. 644902-V)

## **TERMS OF REFERENCE OF AUDIT COMMITTEE**

### **1. PURPOSE**

The principal objective of the Audit Committee is to assist the Board of Directors (“Board”) in discharging its fiduciary responsibilities relating to financial reporting process and internal controls of the Group.

### **2. COMPOSITION AND APPOINTMENT**

- 2.1 The Board shall appoint the Audit Committee members from amongst themselves, with no fewer than three (3) members, comprising solely of Independent Directors. In this respect, the Board adopts the definition of “independent director” as defined under Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements (“MMLR”).
- 2.2 No alternate director shall be appointed as a member of the Audit Committee.
- 2.3 No former partner of the External Audit firm of the Company shall be appointed as a member of the Audit Committee before observing a cooling-off period of at least three (3) years. Former partner applies to all former partners of audit firm and/or affiliate firm, including partners in advisory services, tax consulting, etc.
- 2.4 The Chairman of the Audit Committee, is elected from amongst the Audit Committee members, and is not the Chairman of the Board. The Chairman of the Audit Committee shall be approved by the Board and is responsible for ensuring the overall effectiveness and independence of the Audit Committee. In the absence of the Chairman of the Audit Committee, the other members of the Audit Committee shall amongst themselves elect a Chairman to chair the meeting.
- 2.5 All members of the Audit Committee shall be financially literate, competent and are able to understand matters under the purview of the Audit Committee, including the financial reporting process. All members of the Audit Committee shall undertake continuous professional development training to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.
- 2.6 At least one (1) member of the Audit Committee must be:-
  - (a) a member of the Malaysian Institute of Accountants (“MIA”); or

- (b) if he is not a member of the 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 (1) of the associations of the accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
- (c) fulfills such other requirements as prescribed or approved by Bursa Securities.

2.7 In the event of any vacancy in the Audit Committee, the Board shall not later than three (3) months from that event, appoint such number of new members as may be required to ensure compliance with the Bursa Securities MMLR requirements.

### **3. AUTHORITIES**

- 3.1 The Audit Committee is authorised by the Board and at the expense of the Group to:-
- (a) Have explicit authority to investigate any matter within its terms of reference, and the resources to perform its duties. All employees shall be directed to co-operate as requested by members of the Audit Committee.
  - (b) Have full and unrestricted access to all information pertaining to the Company and Group, their records, properties and personnel.
  - (c) Obtain independent professional advice or other services.
  - (d) Have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity.
  - (e) Be able to convene meetings with the external auditors, the person(s) carrying out the internal audit function or activity or both, excluding the attendance of other directors and employees of the Group, whenever deemed necessary.
  - (f) 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 MMLR of Bursa Securities, the Audit Committee shall promptly report such matter to Bursa Securities.
- 3.2 Notwithstanding anything contrary hereinbefore stated, the Audit Committee does not have executive powers and shall report to the Board on matters considered and its recommendations thereon, pertaining to the Company and the Group.

### **4. ROLES AND RESPONSIBILITIES**

The overall roles and responsibilities of the Audit Committee shall include, the following:-

- i. Oversees financial reporting
- ii. Reviews conflict of interests and related party transactions
- iii. Assess the internal control environment
- iv. Evaluates the internal audit process, and
- v. Evaluate the external audit process

The details of the roles and responsibilities are further elaborate as follow:

#### 4.1 Financial Reporting

- (a) To review the quarterly and year-end financial statements of the Company and the Group, prior to approval by the Board, focusing particularly on:–
  - i. changes in or implementation of major accounting policies;
  - ii. significant matters highlighted including financial reporting issues, significant judgements made by Management, significant and unusual events or transactions, and how these matters are addressed; and
  - iii. compliance with applicable approved accounting standards and other relevant legal requirements.

#### 4.2 External Audit

- (a) To consider and recommend to the Board for approval of the appointment or re-appointment of the external auditors and their audit fees.
- (b) To review the following:-
  - i. any letter of resignation from the external auditors; and
  - ii. whether there is reason (supported by grounds) to believe that the external auditors are not suitable for reappointment.
- (c) To assess the performance, suitability, objectivity and independence of the external auditors on an annual basis.
- (d) Recommend the nomination of person or persons as external auditors.
- (e) To review the following with the external auditors:-
  - i. the nature and scope of the audit, including the coordination of audit where more than one audit firm is involved;
  - ii. the audit plan;
  - iii. the assistance given by the employees to the external auditors;
  - iv. the evaluation of the system of internal controls;
  - v. the effectiveness of the management information system, including any improvement suggestions and management's response;
  - vi. the external auditors' audit report; and
  - vii. the external auditors' management letter and management's response thereto.
- (f) 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).

#### 4.3 Internal Audit

- (a) To determine the remit of the internal audit function and approve the Internal Audit Charter, which defines the purpose, authority, scope and responsibility of the Internal Audit function of the Group.
- (b) Ensure that the internal audit function is effective and able to function independently.
- (c) Review the adequacy of the scope, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work.
- (d) To assess whether the internal audit function is carried out in accordance with a recognised framework.
- (e) To review the internal audit plan, processes, the results of the internal audit assessments, investigation undertaken and whether or not appropriate action are taken by Management on the recommendations.
- (f) Conduct performance evaluation of the internal audit function.
- (g) To approve any appointment or termination of the internal auditors; and
- (h) To review:-
  - i. any letter of resignation from the internal auditors; and
  - ii. whether there is reason (supported by grounds) to believe that the internal auditors are not suitable for reappointment.

#### 4.4 Related Party Transactions

To review and consider any related party transactions and conflict of interest situations that may arise within the Company or Group. This includes any transaction, procedure or course of conduct that raises questions of management integrity.

#### 4.5 Other matters

- (a) Prepare an audit committee report at the end of the financial year pursuant to the MMLR

### 5. MEETINGS

#### 5.1 Frequency and Meeting Mode

- (a) The Audit Committee meets at least five (5) times a year. Additional meetings may be called at any time at the discretion of the Audit Committee Chairman.
- (b) Upon the request of the external auditors, the Chairman of the Audit Committee shall convene a meeting of the Audit Committee to consider any matter the external auditors believe should be brought to the attention of the Board or shareholders.

- (c) A member of Audit Committee may participate in a meeting of Audit Committee by means of a telephone conference or video conference or any other means of audio-visual communications and the person shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly.

## 5.2 Notice and Agenda

- (a) Notice of Audit Committee meetings, including the relevant meeting papers/documents/information shall be circulated to the Audit Committee members and all those who are required to attend the meeting, at least five (5) working days before each meeting.
- (b) The Chairman of the Audit Committee shall engage on a continuous basis with senior management, which include the Managing Director, the Executive Directors, the Financial Controller, as well as the internal auditors and external auditors in order to be kept informed of significant matters affecting the Company/Group.
- (c) The representatives of the internal auditors and representatives of the external auditors, other Board members and employees may attend meetings upon the invitation of the Audit Committee.
- (d) The Audit Committee shall be entitled to convene meetings with the external auditors, the internal auditors or both, without the presence of executive Directors and employees, whenever deemed necessary and at least twice a year with the external auditors, and at least once a year with the internal auditors.
- (e) 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 Chairman of the Audit Committee shall have a second or casting vote.

## 5.3 Circular Resolutions

A resolution in writing signed or approved by letter, electronic mail, telex or telefax or other form of electronic communications by the majority of the members who are sufficient to form a quorum, shall be valid and effectual as if it had been passed at a meeting. All such resolutions shall be described as "Audit Committee Members' Circular Resolutions" and shall be forwarded or otherwise delivered to the Company Secretary without delay and shall be recorded by the Company Secretary in the minutes book. Any such resolution may consist of several documents in like form, each signed by one or more members.

## 5.4 Quorum

A quorum shall consist of at least two (2) members.

## 5.5 Secretary

- (a) The Secretary of the Audit Committee shall be the Company Secretary or his representative or a person recommended by the Company Secretary and approved by the Board.

(b) The Secretary shall be responsible for keeping the minutes of meetings of the Audit Committee, circulating them to members of the Audit Committee and to the other members of the Board, and for following up on outstanding matters.

5.6 Meeting Minutes

(a) 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 Chairman shall report on each meeting to the Board.

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

**6. REVIEW OF THE AUDIT COMMITTEE**

The Board through the Nominating and Remuneration Committee shall review the term of office and performance of the Audit Committee and each of its members annually to determine the effectiveness of the Audit Committee and each of its members in carrying out their duties in accordance with their terms of reference.

**7. REPORTING**

The Audit Committee shall report to the Board, either formally in writing or verbally, as it considers appropriate on the matters within its terms of reference at least once a year, but more frequently if it so wishes.

The Audit Committee shall report to the Board on any specific matters referred to it by the Board for investigation and report.

**8. REVIEW OF THE TERMS OF REFERENCE**

The Audit Committee shall recommend any changes to its terms of reference in such manner as the Audit Committee deems appropriate to the Board for approval. The terms of reference shall be assessed, reviewed and updated where necessary, to reflect the current best practice in corporate governance and risk management, MMLR or any other regulatory requirements.