



## **DAIBOCHI BERHAD**

**(FORMERLY KNOWN AS DAIBOCHI PLASTIC AND PACKAGING INDUSTRY BHD)**

(Company No.: 12994-W)

(Incorporated in Malaysia under the Companies Act)

# **AUDIT COMMITTEE CHARTER**

*(December 8, 2017)*

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**1. INTRODUCTION**

- 1.1 This Audit Committee Charter (Charter) deals with the establishment and terms of reference of the Audit Committee (AC/Committee) of Daibochi Berhad (formerly known as Daibochi Plastic And Packaging Industry Berhad (Daibochi/the Company)).
- 1.2 This Charter governs the operations of the Committee, which includes the authority, objectives and scope of the AC.

**2. AUTHORITY**

- 2.1 This Charter has been approved and adopted by the Board on December 8, 2017.
- 2.2 The AC shall at the cost of the Company:
- Have the authority to investigate any matter within its terms of reference;
  - Have the resources which are required to perform its duties;
  - Have full and unrestricted access to any information pertaining to the Company and its subsidiaries (the Group);
  - Have direct communication channels with the external auditors and internal auditors;
  - Be able to obtain independent professional or other advice,
  - Be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other Directors and employees of the Company/Group, whenever deemed necessary.

**3. COMPOSITION OF THE AUDIT COMMITTEE/MEMBERS**

- 3.1 The Board shall appoint from among its members, a minimum of 3 Directors, majority of whom shall be Independent Non-Executive Directors as members of the AC.
- 3.2 The Board shall appoint or the AC shall elect a Chairman of the AC who shall be an independent non-Executive Director of the Company. The AC Chairman shall not be the Chairman of the Board.
- 3.3 At least one (1) member of the AC:
- (i) must be a member of the Malaysian Institute of Accountants; or
  - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:
    - has passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
    - a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or

- (iii) fulfils such other requirements as prescribed or approved by Bursa Malaysia.
- 3.4 All members should be financially literate, have sufficient understanding of the Group's business and are able to understand matters under the purview of the AC, including the financial reporting process.
- 3.5 All members of the Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.
- 3.6 Should a vacancy arise in the AC, resulting in the non-compliance of paragraph 3.3 above, the Board shall within 3 months of that event appoint a member to fill that vacancy.
- 3.7 Any former key audit partner must have observed a cooling-off period of at least 2 years before being eligible for appointment as an AC member.

#### **4. REVIEW OF THE AUDIT COMMITTEE**

The Nomination Committee must review the term of office and performance of the AC and each of its members annually to determine whether the AC and its members have carried out their duties in accordance with their terms of reference.

#### **5. OBJECTIVE OF THE AUDIT COMMITTEE**

The primary objective of the AC is to assist the Board in ensuring proper corporate governance in fulfilling its fiduciary responsibilities, particularly relating to business ethics, policies and practices, financial management, risk management and internal control without neglecting objectivity and independence.

#### **6. SCOPE OF THE COMMITTEE**

The broad scope of the AC shall include, but not be limited to the following areas:

##### **6.1 Financial reporting**

- (a) To review all financial statements before their submission to the Board for approval and or release to shareholders or third parties, focusing particularly on:
- i. any changes in accounting policies and practices;
  - ii. major judgmental areas affecting the financial statements;
  - iii. significant adjustments arising from the audit;
  - iv. the going concern assumption;
  - v. compliance with accounting standards;
  - vi. compliance with stock exchange and other legal requirements;
- (b) To assess the impact of significant regulatory accounting or reporting changes and developments;
- (c) To consider any related party transaction and conflict of interests situation that may arise within the Company or the Group, assess its impact on the financial

results and its reporting in the financial statements, including any transaction, procedure or course of conduct that raises questions of management integrity.

**6.2 External Audit**

- (a) To recommend to the Board on the nomination, appointment, re-appointment and removal of the external auditors;
- (b) To review the proposed fees/remuneration arrangements of the external auditors and recommend to the Board for approval;
- (c) To review the suitability, objectivity and independence of the external auditors;
- (d) To review whether there is reason (supported by grounds) to believe that the external auditor is not suitable for re-appointment;
- (e) To discuss with the external auditors their audit plan and ensure coordination where more than one audit firm is involved;
- (f) To communicate concerns on matters that may have an effect on the financial or audit of the Company or the Group to the external auditors;
- (g) To discuss problems and reservations arising from the external audits, and any matter the auditors may wish to discuss (in the absence of executive board members and members of Management where necessary);
- (h) To review the external auditor's management letter and Management's response;
- (i) To review with the external auditors their evaluation of the system of internal controls;
- (j) To review with the external auditors their audit report;
- (k) To meet with the external auditors, without executive Board members and members of Management present at least twice in a year;
- (l) To review with the external auditors the assistance given by the employees of the Company/Group to the external auditors;
- (m) To review any letter of resignation from the external auditors of the Company/Group.

**6.3 Internal controls**

The Board is responsible for the Group's risk management and internal control systems. It should set appropriate policies on internal control and seek assurance that the systems are functioning effectively to safeguard shareholders' investment and the Group's assets.

In assisting the Board with its responsibilities in relation to risk and internal controls, the AC shall:

- (a) Review the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directive and guidelines;

- (b) Determine whether Management has implemented policies ensuring the Group's risks are identified and evaluated and that internal controls in place are adequate and effective to address these risks.

#### 6.4 Internal Audit

The Internal Audit Function established by the Company/Board, reports directly to the AC. The AC's responsibilities in relation to the internal audit function are as follows:

- (a) Ensure that the internal audit function is effective and able to function independently;
- (b) 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;
- (c) Review any appraisal or assessment of the performance of the internal audit function;
- (d) Decide on the appointment and removal, scope of work, performance evaluation and budget for the internal audit function;
- (e) Review the proposed fees/remuneration arrangements of the internal auditors and recommend to the Board for approval;
- (f) Review and approve the internal audit plan, processes, results of the internal audit assessments, investigation undertaken and whether or not appropriate action is taken on the recommendations; and
- (g) To ensure co-ordination between the internal and external auditors.

#### 6.5 Non-Financial Information

To deliberate and consider all non-financial information that is of importance in assessing the Company's or Group's performance, including customer satisfaction, product and service quality, market share, market reaction, environmental issues and such other items, when dealing with any item on the AC's agenda.

### **7. MEETINGS**

- 7.1 The AC shall meet at least 4 times a year.

The quorum shall be not less than 2 Independent Directors and the majority present must be Independent Directors. The Company Secretary shall serve as Secretary to the AC and shall circulate notice of meetings and shall be responsible for recording minutes of meeting.

- 7.2 The Head of Finance, the representative of the internal auditors and a representative of the external auditors shall normally attend meetings. Other Board members may attend meetings upon the invitation of the AC. However, at least twice a year, the AC shall meet with the external auditors without the presence of Executive Board members and members of Management.

- 7.3 The AC shall meet with the internal auditors without the presence of Executive Board members and members of Management at least once a year.

- 7.4 The Committee may regulate its own procedure, particularly in the conduct of the AC meetings, including attendance at a meeting by being present in person or by other means, including participating in conference calls.
- 7.5 In addition to its 4 meetings each financial year, the Committee may take action by way of circular resolutions in lieu of convening a formal meeting.
- 7.6 Upon the request of the external auditors, the Chairman of the AC must convene a meeting of the AC to consider any matter the external auditors believe should be brought to the attention of the Directors or shareholders.

**8. REPORTING TO THE BOARD**

- 8.1 The results of the deliberations of the AC shall be reported to the full Board after each AC meeting. This is commonly achieved by circulating the minutes of the AC to members of the full Board.
- 8.2 The AC shall prepare for the consideration of the Board of Directors the following for inclusion in the Annual Report:
- (a) The AC report [Paragraph 15.15(1) Bursa Securities Main Market Listing Requirements (Listing Requirements)];
  - (b) Directors' responsibility statement for preparing annual accounts [Paragraph 15.26(a) Listing Requirements]; and
  - (c) The Risk Management and Internal Control Statement [Paragraph 15.26(b) Listing Requirements].

**9. REPORTING TO THE EXCHANGE**

Where the AC is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements, the Committee must promptly report such matter to Bursa Malaysia.

**10. DUTIES AND REMUNERATION**

- 10.1 This Charter, which is a collective responsibility of the AC, shall also be the terms of reference of each member of the AC.
- 10.2 Each and every AC member shall exercise his/her judgement and wisdom, appropriate level of vigilance and skepticism, continuously apply a critical/ probing view and contribute their experience in fully discharging their duties.
- 10.3 In complying with self-governance, the AC shall, subject to the Board's approval, review the appropriate remuneration, allowances and compensation which will commensurate with the level of responsibility and duties of each AC member.

**11. REVIEW OF AC CHARTER**

11. The AC will review this Charter from time to time and make the necessary revisions to ensure that they remain consistent with the AC's objectives and the respective rules, regulations, guidelines and practices governing the Committee.
- 11.1 The revisions shall be recommended to the Board members for their approval.

*The AC Charter has been revised to clearly set out the Committee's terms of reference in line with its current practice, Listing Requirements, Malaysian Code on Corporate Governance 2017 and Corporate Governance Guide by Bursa Malaysia.*

*Upon recommendation by the AC, this Charter has been approved and adopted by the Board on December 8, 2017.*