

EUPE CORPORATION BERHAD (377762-V)

(Incorporated in Malaysia)

TERMS OF REFERENCE OF RISK MANAGEMENT AND AUDIT COMMITTEE

1. CONSTITUTION

The Board of Directors of the Company ("Board") has established a committee of the Board known as Risk Management and Audit Committee ("RMAC") to assist the Board in:

- a) Overseeing the corporate accounting and financial reporting practices to ensure that:
 - i) the financial statements of the Company and its subsidiaries ("Group") present a true and fair view of the financial position and financial performance of the Company and of the Group; and
 - ii) the financial statements are prepared in accordance with applicable approved accounting standards.
- b) Identifying, assessing and monitoring the Group's risk management strategy, processes and key business risks to ensure that the Group has established a sound risk management framework and internal control system, to safeguard shareholders' investments and the Groups assets.
- c) Implementing and reviewing the Group's processes relating to its governance and internal control system; and
- d) Evaluating the effectiveness and efficiency of the Group's internal and external audit procedures and processes.

2. MEMBERSHIP

- 2.1 RMAC shall be appointed by the Board from amongst their number and shall be composed of no fewer than three (3) members with a majority of them being Independent Directors.
- 2.2 All members of RMAC must be non-executive directors.
- 2.3 All members of RMAC shall be financially literate and at least one member of the RMAC:-
 - a) must be a member of the Malaysian Institute of Accountants ("MIA"); or
 - b) if he/she is not a member of the MIA, he/she must have at least three (3) years' working experience and:
 - i) he/she must have passed the examination specified in Part I of the First Schedule of the Accountants Act, 1967; or

- ii) he/she must be a member of one of the associations of 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 Malaysia Securities Berhad ("Bursa Securities").
- 2.4 All members should be financially literate and are able to understand matters under the purview of the RMAC including the financial reporting process.
- 2.5 No alternate Director shall be appointed as a member of the RMAC.
- 2.6 The members of the RMAC shall elect a Chairman (must not be the Chairman of the Board) from amongst their number who shall be an independent Director ("Chairman").
- 2.7 In the event of any vacancy in the RMAC resulting in the non-compliance of paragraphs 2.3 and 2.5 above, the vacancy must be filled within three (3) months from the date of such vacancy.

3. **MEETINGS**

3.1 **Frequency of meetings**

Meetings shall be conducted at least four (4) times annually, or more frequently as circumstances dictate.

3.2 **Chairman**

The Chairman shall preside at the meetings. In the absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst the members present.

3.3 **Quorum**

In order to form a quorum for the meeting, the majority of the members present must be Independent Directors.

3.4 **Secretariat**

- a) The Company Secretary shall be appointed Secretary of RMAC and shall be responsible for drawing up the agenda in the consultation with the Chairman, and distributing the same to all members of RMAC.
- b) Management provides meeting papers to all members of RMAC seven days in advance before the meetings for perusal and deliberating at the meetings. However, confidential papers may be distributed during the meeting but presentations or briefings will be made by Management to aid RMAC members in making well-informed decisions.

3.5 Attendance of other Directors, management and persons

- a) RMAC may invite other Directors, management and any persons to attend any particular meetings for specific matters.
- b) Upon request of any member of RMAC, the external auditors or the internal auditors, the Chairman of RMAC shall convene a meeting of RMAC to consider any matters brought to its attention.

3.6 RMAC may regulate the proceedings of its meetings, in particular:

- a) the calling of meetings;
- b) the notice to be given of such meetings;
- c) the voting and proceedings of such meetings;
- d) the keeping of minutes; and
- e) the custody, production and inspection of such minutes.

4. AUTHORITY AND RIGHTS

RMAC shall, in accordance with the procedure determined by the Board and at the cost of the Company, have the following authority and rights:

- a) Have the authority to investigate any matters within its terms of reference;
- b) Have the resources which are required to perform its duties;
- c) Have full and unrestricted access to any information pertaining to the Group;
- d) Be fully informed about significant matters related to the company's audit and its financial statements and to address these matters;
- e) Have direct communication channels with the external and internal auditors;
- f) Be able to obtain independent professional or other advice and to secure the attendance of any persons with relevant experience and expertise if it considers necessary;
- g) Be able to convene meetings with the external auditors, the internal auditors or both, without the presence of the other Directors, management and employees of the Company, whenever deemed necessary;
- h) It is at RMAC's discretion to meet with the external auditors at least twice a year without the presence of the executive Directors, management or any employees. If RMAC members are satisfied with the reporting practices as well as the level of independence shown by the external auditors or they are able to clarify matters directly with the external auditors and do not feel the need to convene an additional meeting, this meeting shall not be held; and

- i) Report a matter which was brought up but has not been satisfactorily resolved by the Board which results in breach of Main Market Listing Requirements of Bursa Securities to Bursa Securities.

5. RESPONSIBILITIES AND DUTIES

In fulfilling its primary objectives, RMAC shall undertake the following responsibilities and duties:-

5.1 Financial reporting

- a) Review the quarterly results and annual financial statements prior to the approval by the Board, focusing particularly on:
 - i) changes in or implementation of accounting policies and practices;
 - ii) significant matters highlighted in the financial statements, including financial reporting issues, significant judgements made by management, significant and unusual events or transactions and evaluate how these matters are being addressed by management;
 - iii) significant adjustments arising from the external audit;
 - iv) appropriateness of going concern assumptions used in preparation of financial statements; and
 - v) compliance with applicable approved accounting standards and other legal requirements.
 - vi) demonstrate an appropriate level of vigilance and scepticism towards, among others, detection of any financial anomalies or irregularities in the financial statements.
- b) Review 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.

5.2 External audit

- a) Review the following with the external auditors and report the same to the Board:
 - i) The audit scope and plan;
 - ii) Evaluation of the quality and effectiveness of the accounting system;
 - iii) Evaluation of the system of internal controls;
 - iv) Audit report;

- v) The assistance given by the employees of the Company to the external auditors to facilitate the discharge of the role of the external auditors;
 - vi) Coordination of their audit works with reference to the internal audit plans and reports;
 - vii) External auditors' management letter and management's response thereto; and
 - viii) Any significant audit findings, reservations, difficulties encountered or material weaknesses reported by the external auditor.
- b) Review the annual performance assessment (including suitability, objectivity and independence) of external auditors and report the findings and observation to the Board.
 - c) Recommend appointment, re-appointment or removal of the external auditors and their audit fees.
 - d) Review the scope and nature of non-audit services provided by the external auditors to the Company and Group including recurring and non-recurring audit services to ensure that they are not likely to create conflicts of interest, so as to maintain the objectivity and independence in the conduct of the external audit resulting from the non-audit services provided and report the findings to the Board.
 - e) Review any letter of resignation or suggestions for removal of external auditors and recommend the appropriate next course of action to the Board.

5.3 Internal audit

- a) Establish an internal audit function which is independent of the activities it audits;
- b) Ensure the internal auditors report directly to the RMAC;
- c) Review the following with the internal auditors and report the same to the Board:
 - i) The adequacy of the scope, functions, competency, experience and resources of the internal audit function and that it has the necessary authority and resources to carry out its work;
 - ii) The internal audit programme and processes, results of the internal audit programme and processes, investigations undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
 - iii) The adequacy and effectiveness of the internal control system and the efficiency of the Group's operations and efforts taken to reduce the Group's financial, operational, controls and compliance risks; and

- iv) Major audit findings, reservations or material weaknesses and the Management's response and actions undertaken to resolve the audit issues reported during the year; and other activities as authorised by the Board.
- d) Review the annual performance assessment (including suitability, objectivity and independence) of internal auditors and report the findings and observation to the Board.
- e) Recommend appointment or re-appointment of the internal auditors and their fee.
- f) Review any letters of resignation or suggestions for change of internal auditors and recommend the appropriate next course of action to the Board.
- g) Ensure that the internal audit function is carried out in accordance with a recognised framework.

5.4 Risk Management

- a) Oversight of risk management matters relating to the activities of the Group in order to assist the Board to manage the overall risk exposure of the Group.
- b) Define and recommend the principles, framework and process for managing risks within the Group, for consideration and approval by the Board.
- c) Review and assess the Group's risk management strategies, policies and risk tolerance based on the recommendation of the management so that the Group continues to meet best practices.
- d) Annual review and assess adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risk and the extent to which they are operating effectively to safeguard shareholders' investments and the group's assets.
- e) Review and approve on new policies or changes to risk management policies, and to consider their risk implications;
- f) Ensure adequate infrastructure, resources and systems are in place for an effective risk management framework.
- g) Review and evaluate reports (on periodic basis) outlining the risk exposure, risk portfolio composition and risk management activities presented by the Risk Management Consultant after having reviewed and approved by Senior Management.
- h) Communicate with the Board on the Key Risks Profiles and review action plans to be undertaken by management in effectively managing the risks identified on periodic basis.
- i) Review annual risk management report on adequacy and effectiveness of risk management within the Group.

- j) Evaluate key risk areas such as finance, operations, regulatory compliance, reputation, cyber security and sustainability and the controls are in place to mitigate or manage the these risks.
- k) Ensure that the risk management framework adopted by the company is based on an internationally recognised risk management framework.

6. **REVIEW OF COMMITTEE**

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

This Terms of Reference was revised and approved by the Board on 27 April 2017.