



EUPE CORPORATION BERHAD
Registration No. 199601005416 (377762-V)
(Incorporated in Malaysia)

TERMS OF REFERENCE OF RISK MANAGEMENT AND AUDIT COMMITTEE

1. OBJECTIVES

The Board of Directors of the Company ("Board") has established a committee of the Board known as Risk Management and Audit Committee ("RMAC" or the "Committee") 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) Ensure the adequacy and effectiveness in the process of the Group's risk management and internal control system;
- (c) Review conflict of interest situation and related party transaction; and
- (d) Overseeing the implementation and monitoring the Integrity Policy (Whistle Blowing Policy) and Procedures.

2. COMPOSITION OF THE RMAC

- 2.1 RMAC shall be appointed by the Board from amongst their number and shall be composed of not fewer than three (3) members with a majority of them being Independent Directors.
- 2.2 All members of RMAC must be Non-Executive Directors. The Chairman of the Board shall not be a member of the Committee.
- 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 of RMAC shall have appropriate level of knowledge, possess a wide range of necessary skills, experience and commitment to be able to discharge its responsibilities, have a strong understanding of financial reporting process and other matters under the purview of the RMAC complemented with a wide range of diverse perspectives to strengthen the quality of deliberation.
- 2.5 No Alternate Director shall be appointed as a member of the RMAC.
- 2.6 No former partner of the external audit firm¹ can be appointed as a member of the Committee provided that the partner observed a cooling-off period of at least three (3) years.
- 2.7 The members of the RMAC shall elect a Chairman from amongst themselves who is an Independent Director (“Chairman”) ensuring the overall effectiveness and independence of the Committee.
- 2.8 In the event of any vacancy in the RMAC resulting in the non-compliance with paragraphs 2.3 and 2.7 above, the vacancy must be filled within three (3) months of that event.
- 2.9 All members of the RMAC should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

3. MEETINGS

3.1 Frequency of meetings

Meetings shall be conducted at least four (4) times annually, or more frequently as circumstances dictate. The Chairman may call for a meeting if a request is made by any Committee member, the internal or external auditors.

3.2 Chairman

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

3.3 Quorum

The quorum for a Committee meeting shall be two (2) members of which the majority of the members present must be Independent Directors.

¹ This applies to all former partners of the audit firm and/or affiliate firm (including those providing advisory services, tax consulting etc.)



3.4 Voting

Questions arising at any meeting shall be decided by a majority of votes. Each member has one (1) vote. In the event of equality of votes, the Chairman shall have a second or casting vote. However, at meetings where two (2) members are present or when only two (2) members are competent to vote on an issue, the Chairman will not have the second or casting vote.

3.5 Secretariat

- (a) The Company Secretary shall act as the secretary of the RMAC (the "Secretary") 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 at least five (5) business days in advance of the Committee meeting or on a timeline to be set and agreed between the Chairman and the Company Secretary. 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.
- (c) The Secretary shall minute the proceedings and resolutions of all Committee meetings. The minutes of the RMAC meeting shall be signed by the Chairman of the Committee meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.
- (d) A resolution in writing, signed or approved via any electronic means by a majority of the members of the Committee, shall be as effectual as if it has been passed at a meeting of the Committee duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more Committee members.

3.5 Attendance of other Directors, management and persons

RMAC may invite other Directors, management and any persons to attend any particular meetings for specific matters.

4. AUTHORITY AND RIGHTS

- 4.1 RMAC shall, in accordance with the procedure determined by the Board and at the cost of the Company:
 - (a) have the authority to investigate any matter 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 Group's audit and its financial statements and to address these matters;



- (e) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- (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 person(s) carrying out the internal audit function or activity, without the presence of the other Directors, management and employees of the Company, whenever deemed necessary;
- (h) meet with the external auditors, the person(s) carrying out the internal audit function or activity or both at least once a year without the presence of the Executive Directors, management or any employees of the Group; and
- (i) report to Bursa Securities on any matter which was brought up but has not been satisfactorily resolved by the Board resulting in a breach of the Main Market Listing Requirements of Bursa Securities.

5. RESPONSIBILITIES AND DUTIES

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

5.1 Financial reporting

- (a) Ensure the integrity of the Company's financial and non-financial reporting.
- (b) Review the quarterly results and annual financial statements prior to the approval by the Board, focusing particularly on:
 - (i) changes in or implementation of major accounting policy changes;
 - (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;
 - (iii) significant adjustments arising from the external audit;
 - (iv) appropriateness of going concern assumptions used in preparation of financial statements;
 - (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;



- (vii) continuously apply a critical and probing view on the Company's financial reporting process, transactions and other financial information, and effectively challenge management's assertions on the Company's financials;
 - (viii) where there are significant matters requiring judgement, the RMAC should probe to ascertain whether the financial statements are consistent with operational and other information known; and
 - (ix) 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.
- (c) Review any related party transactions and conflict of interest situation that may arise within the Company or the 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 auditors.
- (b) Establish policies and procedure to assess the suitability, objectivity and independence of external auditors by conducting annual assessment and report the findings and observation to the Board.



- (c) Recommend the nomination of a person or persons as external auditors, appointment, re-appointment or removal of the external auditors and their audit fees.
- (d) Obtain written assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.
- (e) Review the scope and nature of non-audit services provided by the external auditors to the Company and the Group including recurring and non-recurring audit services to ensure that they are not likely to create conflict of interest, so as to maintain the objectivity and independence in the conduct of the external audit.
- (f) 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 effective internal audit function which is independent of the activities it audits to accomplish the Company's goals;
- (b) Ensure the internal auditors report directly to the RMAC;
- (c) Ensure the internal audit function is carried out in accordance with a recognised framework;
- (d) Ensure that the system of internal control manages risks and forms part of its corporate culture;
- (e) Review the following with the internal auditors and report the same to the Board:
 - (i) the adequacy of the scope, 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 plan and processes, results of the internal audit assessments, investigations undertaken and whether or not appropriate action is taken on the recommendations;
 - (iii) the adequacy and effectiveness of the internal control system which includes financial, operational, controls, environmental and compliance nature; 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.



- (f) Review the annual performance assessment (including suitability, objectivity and independence) of internal auditors and report the findings and observation to the Board.
- (g) Recommend appointment or re-appointment of the internal auditors and their fee (or appropriate budget).
- (h) Review any letters of resignation or suggestions for change of internal auditors and recommend the appropriate next course of action to the Board.
- (i) Review the compliance on the Company's Code of Conduct and Ethics.
- (j) Carry out ad-hoc reviews of other areas where there is a concern that affects financial reporting or a threat on the safeguarding of the Company's assets.
- (k) Carry out responsibilities as may be required under the Integrity Policy (Whistle Blowing Policy) and Procedures.

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) Ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks.
- (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) Ensure that the risk management framework adopted by the Company is based on an internationally recognised risk management framework and establish an effective framework.

To conduct an annual review and periodic testing of the Company's risk management framework to ensure its adequacy and effectiveness.

- (e) Review the Statement on Risk Management and Internal Control.

6. REVIEW OF COMMITTEE

The Nomination Committee of the Company must review the term of office and performance of RMAC and each of its members annually to determine whether the RMAC and its members have carried out their duties in accordance with their terms of reference to ensure that the Company is able to adapt to changing business circumstances.



7. REVISION OF THE TERMS OF REFERENCE

This Terms of Reference shall be reviewed as and when required and updated in accordance with the needs of the Company and any new regulations. Any revision or amendments to this Terms of Reference, as proposed by the RMAC or any third party, shall first be presented to the Board for approval.