



# MULPHA INTERNATIONAL BHD

(Company No. 19764-T)

## AUDIT AND RISK MANAGEMENT COMMITTEE CHARTER

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### 1. INTRODUCTION

The Audit Committee was established pursuant to a resolution of the Board of Directors (“**the Board**”) of Mulpha International Bhd (“**Mulpha**”) passed on 28 July 1994. In line with the recommendation of the Malaysian Code on Corporate Governance, the Audit Committee which has been assisting the Board in carrying out, among others, the responsibility of overseeing Mulpha and its subsidiaries’ (“**Mulpha Group**”) risk management framework and policies, was renamed as ‘Audit and Risk Management Committee’ (“**the Committee**”) on 27 February 2019, as approved by the Board.

This Charter (or terms of reference) outlines the purpose of the Committee, its composition, authority, and duties and responsibilities.

### 2. PURPOSE

The purpose of the Committee is to assist the Board in fulfilling its corporate governance and oversight responsibilities in relation to the preparation of financial statements, financial reporting and the maintenance of a sound system of internal control, risk management and governance.

### 3. COMPOSITION

The Committee shall be appointed by the Board from amongst its members such that the following requirements are met:

- (a) The Committee shall comprise no fewer than 3 members;
- (b) All Committee members must be Non-Executive Directors, with a majority of them being Independent Directors; and
- (c) At least one member of the Committee must be a member of the Malaysian Institute of Accountants or fulfil such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad (“**Bursa Securities**”).



The members of the Committee shall elect a Chairman from among their number who shall also satisfy the criteria of being an Independent Director.

No Alternate Director shall be appointed as a member of the Committee.

No former audit partner of Mulpha's external auditors shall be appointed to the Committee unless that person has observed a cooling-off period of at least 2 years before being appointed as a member of the Committee.

In the event of any vacancy in the Committee resulting in the number of members being reduced to below 3, the Board shall fill the vacancy within 3 months.

#### **4. MEETINGS AND MINUTES**

The Committee shall meet at least 4 times per year, with the authority to convene additional meetings as and when necessary. Quorum at a meeting of the Committee shall be at least 2 members, present in person or by telephone or other telecommunication device, where the majority of whom shall comprise Independent Directors.

Any matter requiring decision will be decided by a majority of votes of members present. The Committee may deal with matters by way of circular resolutions in lieu of convening a formal meeting. A resolution in writing signed by a majority of members shall be as valid and effectual as 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 members.

The Committee may request any member of Management, the external auditors or others to be in attendance at a meeting of the Committee.

Minutes of each Committee meeting will be prepared and distributed to each member of the Committee and the Board.

The Company Secretary of Mulpha shall act as secretary to the Committee.

The meetings and proceedings of the Committee are governed by the provisions of the Constitution of Mulpha regulating the meetings and proceedings of the Board so far as the same are applicable.

#### **5. AUTHORITY**

The Committee is authorised by the Board to:

- (a) investigate any matter/activity of Mulpha Group within the scope of this Charter;
- (b) have full and unfettered access to any and all resources, personnel, documents, records or other information of Mulpha as is required to discharge the duties and responsibilities of the Committee as articulated in this Charter;



- (c) obtain legal or other independent professional advice to assist the Committee in discharging its responsibilities;
- (d) have direct communication channels with the internal and external auditors; and
- (e) convene meetings with the external auditors, the internal auditors or both as and when necessary, excluding the attendance of other Directors and employees of Mulpha.

Where the Committee 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 of Bursa Securities, the Committee must promptly report such matter to Bursa Securities.

## **6. DUTIES AND RESPONSIBILITIES**

The duties and responsibilities of the Committee shall include but not limited to the following:

### **(a) Financial Reporting**

- Review the quarterly results and annual financial statements prior to submission to the Board for approval, focusing particularly on:
  - (i) any significant changes in accounting policies and practices and its implementation;
  - (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;
  - (iii) compliance with accounting standards and other legal requirements;
  - (iv) going concern assumptions; and
  - (v) significant audit issues and adjustments arising from audit.
- Review the financial report and cash flows report, including bank facilities and bank covenants of Mulpha Group.

### **(b) Internal Audit**

- Review and approve the internal audit programme/plan, consider the findings of internal audit engagements and monitor the implementation of audit recommendations/corrective actions.
- Review the scope, functions, competency, resources and budget of the internal audit function, and ensure that it has the necessary authority to conduct its work.
- Review the adequacy, effectiveness and sufficiency of the systems of internal control, risk management and governance of Mulpha Group.
- Review and assess the performance and independence of the internal auditors.



- Consider the appointment of the Head of Internal Audit and any matter concerning his/her resignation or dismissal.

**(c) External Audit**

- Review with the external auditors, their audit plan (including the scope and nature of audit) and their evaluation of the system of internal controls.
- Review the external auditors' findings, management letter and Management's response.
- Review with the external auditors, their audit report and to consider the audit opinion and key audit matters contained therein.
- Consider the appointment of external auditors, remuneration, terms of reference and any questions of resignation or dismissal.
- Review the assistance given by the employees of Mulpha to the external auditors.
- Carry out annual review of the performance of the external auditors, including assessment of suitability and independence of external auditors for recommendation to the Board for re-appointment and the audit fee thereof.
- Review and monitor the extent of non-audit services to be provided by the external auditors and/or its affiliates to ensure that the provision of non-audit services does not impair their independence or objectivity, and recommend the non-audit fees for the Board's approval.
- Discuss problems and reservations, if any, arising from the audits, and any matter which the external auditors may wish to discuss (in the absence of Management where necessary).

**(d) Risk Management**

- Assist the Board in identifying, reviewing and assessing the principal risks in the achievement of Mulpha's objectives and overseeing the implementation of appropriate systems/processes to manage or mitigate these risks.
- Review and approve the annual risk management plan and ensure the adequacy of coverage.
- Review the adequacy and effectiveness of Mulpha's enterprise risk management framework, risk management process, risk profile and risk appetite to ensure they are relevant and consistent with Mulpha Group's business strategy and level of operations in safeguarding the Group's assets and profitability.
- Review the effectiveness of internal control systems deployed by Management to address key risks faced by Mulpha Group.



- Review the recommendation of corrective measures undertaken to mitigate such risks/weaknesses and the status of implementation of action plans.
- Provide guidance on the overall risk management strategy and directives for implementation to ensure that the principles and requirements of managing risks are consistently adopted throughout Mulpha Group.

**(e) Other Matters**

- Review conflict of interest situations that may arise and related party transactions entered into by Mulpha Group to ensure that the said transactions are on commercial terms and that associated control measures are adequate.
- Disclose any and all actual or perceived conflicts of interest of the Committee members.
- Review the Audit and Risk Management Committee Report, and the Statement on Risk Management and Internal Control before submitting for the Board's approval and inclusion in Mulpha's Annual Report.

The Chairman of the Committee shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

The Committee shall undertake additional work and/or responsibilities as delegated by the Board from time to time.

## **7. REVIEW OF CHARTER**

The Committee will review this Charter on a biennial basis with a view to ensuring the Charter remains consistent with the Committee's purpose, authority and responsibilities.

*This Charter was approved by the Board on 27 February 2019.*