



EG INDUSTRIES BERHAD

(Registration No. 199101012585 / 222897-W)

(Incorporated in Malaysia)

TERMS OF REFERENCE

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AUDIT AND RISK MANAGEMENT COMMITTEE'S ("THE COMMITTEE") TERMS OF REFERENCE

1. Composition of Audit and Risk Management Committee ("the Committee")

The Audit and Risk Management Committee ("the Committee") shall be appointed by the Board of Directors ("the Board") from amongst the Directors and shall consist of not less than three (3) members, where all the members must be non-executive directors with a majority of whom shall be Independent Non-Executive Directors.

The Board shall, within three (3) months of a vacancy occurring in the Committee which results in the number of members reduced to below three (3), appoint such number of new members as may be required to make up the minimum number of three (3) members.

The members of the Committee shall elect a Chairman from among their members who shall be an Independent Non-Executive Director. An alternate Director must not be appointed as a member of the Committee.

The members of the Committee must fulfill such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

2. Membership

At least one member of the Committee:

- Must be a member of the Malaysian Institute of Accountants; or
- If not a member of the Malaysian Institute of Accountants, that member must have at least three (3) years' working experience and; must have passed the examinations specified in part I of the 1st Schedule of the Accountants Act, 1967; or must be a member of one of the associations of the accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967; or
- Must have a degree/masters/doctorate in accounting or finance and at least three (3) years' post qualification in accounting or finance; or
- Must have a least seven (7) years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.
- If a former key audit partner to be suggested as a member of the Audit Committee, he / she must fulfill a cooling off period of at least three (3) years before being appointed as a member of the Audit Committee.

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3. Authority

The Committee is authorized by the Board to investigate any activity of the Company and its subsidiaries within its terms of reference or as otherwise directed by the Board. It shall have:

- i) The authority to investigate any matter within its terms of reference;
- ii) The resources which are required to perform its duties;
- iii) Full and unrestricted access to any information pertaining to the Company and its subsidiaries;
- iv) Direct communication channels with the external auditors and the internal auditors;
- v) The right to obtain independent professional or other advice; and
- vi) The rights to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

The Committee is also authorized by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary and reasonable for the performance of its duties.

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

4. Meeting and Minutes

The Committee shall meet at least four (4) times a year and such additional meetings as the Chairman shall decide in order to fulfill its duties.

The Committee may invite any Board member or any member of the senior management or any relevant employee within the Company or Group whom the Committee thinks fit to attend its meetings to assist in resolving and clarifying matters raised in audit reports.

The internal auditors shall be in attendance at meetings of the Committee to present and discuss their reports of findings and the recommendations relating thereto and to follow up on decisions made at these meetings.

A quorum shall consist of a majority of Independent Non-Executive Directors and shall not be less than two.

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The decision of the Audit Committee shall be decided by a majority of votes. In the case of an equality of votes, the Chairman shall have a second or casting vote, provided that where two (2) members form a quorum, or at which only two (2) Directors are competent to vote on the question in issue, the Chairman shall not have a casting vote.

The Committee shall be reporting to the full Board from time to time its recommendations for consideration and implementation. However, the actual decisions shall be the responsibility of the Board after considering the recommendations of the Committee.

The Company Secretary shall act as Secretary of the Committee and shall be responsible for drawing up the agenda with the concurrence of the Chairman and circulating it, supported by explanatory documentation to Committee members prior to each meeting.

The Secretary shall also be responsible for recording the proceedings of the Committee and the minutes of meetings tabled at Board meetings.

5. Duties

The duties of the Committee shall be:

- i) To review the quarterly results and the year-end financial statements, prior approval by the Board, focusing particularly on :-
 - Changes in or implementation of accounting policies and practices;
 - Significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions, and how these matters are addressed; and
 - Compliance with applicable approved Financial Reporting Standards, regulatory and other legal requirements;
- ii) To review with the external auditor, the audit scope and plan, including any changes to the planned scope of the audit plan, and to discuss to ensure co-ordination where more than one audit firm is involved;
- iii) To review with the external auditor, the results of the interim and final audits and the Management's response thereto, including the status of previous audit recommendations;
- iv) To review the assistance given by the Company's employees to the auditors, and any difficulties encountered in the course of audit work, including any restrictions on the scope of activities or access to required information (in the absence of management where necessary);
- v) To review the re-appointment and performance of external auditor, evaluate their independence and objectivity, the audit fee and any question of resignation or dismissal before making recommendations to the Board;
- vi) To review with the external auditor, its evaluations of the system of internal controls;
- vii) To review the adequacy of the internal audit scope, functions, authority, competency and resources of the internal audit function and that it has necessary authority to carry out its work;

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- viii) To review the internal audit programme, processes and reports to evaluate the findings of the internal audit and to ensure that appropriate and prompt remedial action is taken by Management on the recommendations of the internal audit function;
- ix) To review any appraisal or assessment of the performance of the internal audit function;
- x) To approve any appointment or termination of internal audit function;
- xi) Take cognisance of resignations of internal audit function and provide an opportunity to submits its reasons for resigning;
- xii) To review the Risk Management Report through the quarterly presentations by Risk Management Officer;
- xiii) To make relevant recommendations to the Board for identified risk and mitigations actions;
- xiv) To survey and inspect factory and premises to ensure existing and potential risk were prevented and mitigated;
- xv) To consider any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- xvi) To verify the allocation of Employees' Share Option Scheme ("ESOS") in compliance with criteria as stipulated in the By laws of ESOS of the Company, if any;
- xvii) To direct and, where appropriate, supervise any special projects or investigation considered necessary, and review investigation reports on any major defalcations, frauds and thefts; and
- xviii) Such other responsibilities as may be agreed to by the Audit Committee and the Board.

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PROPOSED TERMS OF REFERENCE OF NOMINATION COMMITTEE

1. Composition

The Committee shall be appointed by the Board from amongst the Directors of the Company and shall comprise exclusively of non-executive Directors, majority of whom are independent.

The Committee shall consist of three (3) members.

2. Quorum

Two (2) members shall form a quorum for meetings.

3. Chairman

The members of the Committee shall elect a Chairman from among their members who shall be an Independent Director. In the absence of the Chairman of the Nomination Committee, the remaining members present shall elect one of their members as Chairman of the meeting.

4. Secretary

The Secretary to the Nomination Committee shall be the Company Secretary.

5. Meetings and Minutes

- a) The Nomination Committee shall meet at least once a year or at such other times as the Chairman of the Committee deemed necessary.
- b) Minutes of each meeting shall be distributed to each member of the Board.
- c) Question arising shall be decided by a majority of votes. In the case of an equality of votes, the Chairman of the meeting shall have a second or casting vote provided that where two (2) members form a quorum, the Chairman of the meeting at which only such a quorum is present, or at which only two (2) members are competent to vote on the question at issue, shall not have a casting vote.

6. Functions

- a) To review regularly the Board structure, size and composition and make recommendations to the Board with regards to any adjustments that are deemed necessary.
- b) To propose and identify new nominees for appointment to the Board of Directors.
- c) To assess Directors on an on-going basis, the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each individual Director.

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- d) To recommend to the Board, candidates for all directorships to be filled by the shareholders or the Board.
- e) To recommend to the Board, Directors to fill the seats on Board Committees.
- f) To review annually the Board's mix of skills and experience and other qualities including core competencies which non-executive Directors should bring to the Board. This should be disclosed in the Annual Report.
- g) To determine annually whether or not a Director is Executive, Non-Executive or Independent.
- h) To assess effectiveness of the Board and contribution by each Director to the effectiveness of the Board.
- i) To recommend to the Board for continuation (or not) in service of executive Director(s) and Directors who are due for retirement by rotation.
- j) To consider, in making its recommendations, candidates for directorships proposed by the Chief Executive Officer and, within the bounds of practicability, by any other senior executive or any Director or shareholder.
- k) To orientate and educate new Directors as the nature of the business, current issues within the Company and the corporate strategy, the expectations of the Company concerning input from the Directors and the general responsibilities of Directors.

7. Reporting Procedures

- a) The actual decision as to who shall be appointed to the Board shall be the responsibility of the full Board after considering the recommendation of the Committee.
- b) The Nomination Committee should report to the full Board for its consideration and implementation.

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PROPOSED TERMS OF REFERENCE OF REMUNERATION COMMITTEE

1. Composition

The Committee shall be appointed by the Board from amongst the Directors of the Company consisting of majority Independent Non-Executive Directors. It shall consist of not less than three (3) members.

2. Quorum

Two (2) members shall form a quorum for meetings.

3. Chairman

The members of the Committee shall elect a Chairman from among their members who shall be an Independent Non-Executive Director. In the absence of the Chairman of the Remuneration Committee, the remaining members present shall elect one of their members as Chairman of the meeting.

4. Secretary

The Secretary to the Remuneration Committee shall be the Company Secretary.

5. Meetings and Minutes

- a) The Remuneration Committee shall meet at least once a year or at such other times as the Chairman of the Committee deemed necessary.
- b) Minutes of each meeting shall be distributed to each member of the Board.
- c) Question arising shall be decided by a majority of votes and determination by a majority of members shall for all purposes be deemed a determination of the Remuneration Committee.
- d) In the case of an equality of votes, the Chairman of the meeting shall have a second or casting vote provided that where two (2) members form a quorum, the Chairman of the meeting at which only such a quorum is present, or at which only two (2) members are competent to vote on the question at issue, shall not have a casting vote.

6. Functions

- a. To recommend to the Board the framework of Executive Directors' remuneration and the remuneration package for each Executive Director, drawing from outside advice as necessary.
- b. To recommend to the Board, guidelines for determining remuneration of Non-Executive Directors.

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- c. To recommend to the Board any performance related pay schemes for Executive Directors.
- d. To review Executive Directors' scope of service contracts.
- e. To consider the appointment of the service of such advisers or consultants as it deems necessary to fulfil its functions.

7. Reporting Procedures

- a) The remuneration of Directors shall be the ultimate responsibility of the full Board after considering the recommendation of the Committee.
- b) Executive Directors do not participate in discussion on their own remuneration
- c) The determination of remuneration packages of Non-Executive Directors, including Non-Executive Chairman should be a matter for the Board as a whole.
- d) Level of remuneration should be sufficient to attract and retain the Directors needed to run the Company successfully. The component parts of remuneration should be structured so as to link rewards to corporate and individual performance, in the case of executive Directors. The level of remuneration should reflect the experience and responsibilities undertaken by the particular non-executive concerned.
- e) Membership of the Remuneration Committee should appear in the Annual Report.