

## AUDIT COMMITTEE CHARTER

(As amended on November 14, 2022)

This Charter establishes the purpose, authority, composition, and functions of the Audit Committee (the “**Committee**”) of Xurpas Inc. (the “**Corporation**”).

### POLICY OBJECTIVES

1. The purpose of the Committee is to enhance the Board’s oversight capability over the Corporation’s financial reporting, internal control system, internal and external audit processes and compliance with applicable laws and regulations.
2. The Committee is expected, through the provisions of checks and balances, to bring positive results in supervising and supporting the management of the Corporation.
3. The Committee shall ensure the integrity of the Corporation’s financial reporting processes, including ensuring the integrity of financial reports and other financial information provided by the Corporation to the public, governmental and/or regulatory bodies.
4. It shall continuously ensure the adequacy and effectiveness of the Corporation’s internal control system, governance processes and risk management processes and reviewing the performance of the Corporation’s internal audit function.
5. The Committee is expected to establish a constructive and collaborative relationship with the Board, heads of department, committees and external auditors in order to achieve and implement the Corporation’s policies
6. On November 27, 2020, the Board of Xurpas Inc. approved the dissolution of the Related Party Transactions Committee. The functions of the Related Party Transactions Committee will be absorbed by the Audit Committee. (Amended on November 14, 2022).
7. The Committee shall ensure transparency and fairness for all stakeholders, to review proposed related party transactions for the purpose of determining whether or not the transaction is conducted at an arm’s length basis and on terms no less than favorable than any such terms available to unconnected third parties under the same or similar circumstances and shall be subject to appropriate corporate approvals and actions of the Corporation and of related parties, with the best interest of the investing public and the Corporation in mind.

Any related party transactions entered into by the Corporation or its affiliates shall be in accordance with applicable laws, rules and regulation, and corporate policies. (Amended on November 14, 2022).

## ARTICLE I - COMPOSITION

- 1.1. The Committee (the “**Committee**”) shall be composed of at least three (3) non-executive members, the majority of whom, including the Chairman of the Committee, should be independent directors.
- 1.2. The Chairman shall not be the Chairman of the Board of Directors of Xurpas Inc. (the “**Board**”) and of other Board Committees.
- 1.3. Each member shall have adequate understanding or competence of the Corporation’s financial management systems and environment particularly, in the areas of accounting, audit and finance.
- 1.4. The Audit Committee members shall be appointed by the Board at its annual organizational meeting and each member shall serve upon his election until the next organizational meeting of the Board or until a successor is duly appointed, or until the resignation or removal of such member. The members of the Committee may be removed or replaced by the Board in its discretion, and any vacancies in the Committee shall be filled by the Board, by a vote of majority.

## ARTICLE II - POWERS AND FUNCTIONS

- 2.1. The Committee shall dutifully perform the following functions:
  - 2.1.1. Recommends the approval of the Internal Audit Charter (“**IA Charter**”), which formally defines the role of Internal Audit and the audit plan as well as oversees the implementation of the IA Charter;
  - 2.1.2. Through the Internal Audit Department, monitors and evaluates the adequacy and effectiveness of the Corporation’s internal control system, integrity of financial reporting, and security of physical and information assets. Well-designed internal control procedures and processes that will provide a system of checks and balances shall be in place in order to (a) safeguard the Corporation’s resources and ensure their effective utilization, (b) prevent occurrence of fraud and other irregularities, (c) protect the accuracy and reliability of the Corporation’s financial data, and (d) ensure compliance with applicable laws and regulations;
  - 2.1.3. Oversees the Internal Audit Department, and recommends the appointment and/or grounds for approval of an internal audit head or Chief Audit Executive (“**CAE**”).
  - 2.1.4. Approves the terms and conditions for outsourcing internal audit services;

- 2.1.5. Establishes and identifies the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. For this purpose, he shall directly report to the Audit Committee;
- 2.1.6. Reviews and monitors Management's responsiveness to the Internal Auditor's findings and recommendations;
- 2.1.7. Ensures there is an established process on the appointment, reappointment, removal, and fees of the External Auditor, subject to Board approval and ratified by the stockholders;
- 2.1.8. Prior to the commencement of the audit, discusses with the External Auditor the nature, scope and expenses of the audit, and ensures proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- 2.1.9. Evaluates and determines the non-audit work, if any, of the External Auditor, and periodically reviews the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the Corporation's overall consultancy expenses. The Committee shall disallow any non-audit work that will conflict with his duties as an External Auditor or may pose a threat to his independence. The non-audit work, if allowed, shall be disclosed in the Corporation's Annual Report and Annual Corporate Governance Report;
- 2.1.10. Reviews and approves the Interim and Annual Financial Statements before their submission to the Board, with particular focus on the following matters:
  - i. Any change/s in accounting policies and practices
  - ii. Areas where a significant amount of judgment has been exercised
  - iii. Significant adjustments resulting from the audit
  - iv. Going concern assumptions
  - v. Compliance with accounting standards
  - vi. Compliance with tax, legal and regulatory requirements
- 2.1.11. Reviews the disposition of the recommendations in the External Auditor's management letter;
- 2.1.12. Performs oversight functions over the Corporation's Internal and External Auditors;
- 2.1.13. Coordinates, monitors and facilitates compliance with laws, rules and regulations;
- 2.1.14. Recommends to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the Commission, who undertakes an independent audit of the Corporation, and provides an

objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders;

- 2.1.15. The Committee shall have the authority to call for meetings, to have access to data and information related to its function, initiate investigations of activities within the scope of its duties and responsibilities, and to recommend to the Board, as its functions may require.
- 2.1.16. Meets with the Board at least every quarter without the presence of the CEO or Management team. All of the members of the Committee are expected to be present during the meeting. The Committee Secretary, under the direction of the Committee Chairman, shall prepare and provide at least three (3) days prior to the meeting to all Committee members the notice of meeting, containing the meeting agenda;
- 2.1.17. Meets periodically with the CAE;
- 2.1.18. Evaluate on an ongoing basis existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, related party transactions are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured;
- 2.1.19. Evaluate covered related party transactions (**See: Policy on Material Related Party Transactions**) to ensure that these are not undertaken on more favorable economic terms to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the Corporation are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions taking into consideration the following:
  - i. Related party's relationship to the Corporation and interest in the transaction;
  - ii. Material facts of the proposed related party transaction, including the proposed aggregate value of the transaction;
  - iii. Benefits to the Corporation of the proposed related party transaction;
  - iv. Availability of other sources of comparable products or services; and
  - v. Assessment of whether the proposed related party transaction is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances.
- 2.1.20. Establish an effective price discovery system in place and exercise due diligence in determining a fair price for related party transactions;
- 2.1.21. Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the Corporation's related party transactions exposures, and policies on conflicts of interest or

potential conflicts of interest, which shall include information on the approach to managing material conflicts of interest that are inconsistent with such policies, and conflicts that could arise as a result of the Corporation's affiliation or transactions with other related parties;

- 2.1.22. Report to the Board, on a regular basis, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties;
- 2.1.23. Ensure that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process; and
- 2.1.24. Oversee the implementation of the system of identifying, monitoring, measuring, controlling, and reporting related party transactions, including a periodic review of related party transaction policies and procedures; and
- 2.1.25. Perform other duties and responsibilities as the Committee may deem appropriate within the scope of its primary functions or as may be delegated by the Board. (Amended on November 14, 2022)

## 2.2. Internal Auditor

The Committee in the performance of its oversight functions shall ensure that the internal auditor performs the following responsibilities:

- 2.2.1. Provides an independent risk-based assurance service to the Board, Audit Committee and Management, focusing on reviewing the effectiveness of the governance and control processes in (1) promoting the right values and ethics, (2) ensuring effective performance management and accounting in the organization, (3) communicating risk and control information, and (4) coordinating the activities and information among the Board, external and internal auditors, and Management;
- 2.2.2. Performs regular and special audit as contained in the annual audit plan and/or based on the Corporation's risk assessment;
- 2.2.3. Performs consulting and advisory services related to governance and control as appropriate for the organization;
- 2.2.4. Performs compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the organization;
- 2.2.5. Reviews, audits and assesses the efficiency and effectiveness of the internal control system of all areas of the Corporation;
- 2.2.6. Evaluates operations or programs to ascertain whether results are consistent

- with established objectives and goals, and whether the operations or programs are being carried out as planned;
- 2.2.7. Evaluates specific operations at the request of the Board or Management, as appropriate; and
  - 2.2.8. Monitors and evaluates governance processes.

### 2.3. External Auditor

The Committee shall ensure that the external auditor adheres to the following responsibilities:

- 2.3.1. Perform fair audit independently from the Corporation, Management and controlling shareholders, and other users may maintain confidence in the Corporation's accounting information;
- 2.3.2. Check whether any fact contradicts the audit results in the information disclosed regularly with the audited financial statements, and demand correction, if necessary;
- 2.3.3. Attend the annual stockholders' meeting and answer any question on audit reports and themselves, their work and their remuneration;
- 2.3.4. Perform such other functions as may be approved by the Board in its engagement of the auditor, provided, however, that non-audit work shall not be in conflict with the function of the auditor as external auditor.

## **ARTICLE III - GUIDELINES**

- 3.1 All related party transactions shall have terms and conditions that are fair and equitable to the Corporation.
- 3.2 The approval, award, processing and payment of related party transactions shall follow the same procedures as the other transactions and contracts of the Corporation. No special privileges or special treatment shall be afforded to a related party.
- 3.3 Prior to the award or approval of any covered related party transaction (See: Policy on Related Party Transactions), the Corporation shall submit the same for the review of the Committee to confirm that it has undergone the same process as an ordinary transaction and to determine that the said related party transaction is in the best interest of the Corporation. (As amended on November 14, 2022)

## **ARTICLE IV - RESOURCES OF THE COMMITTEE**

- 4.1 The Committee may request any director, corporate officer or employee of the Corporation or other persons whose advice and counsel are sought by the Committee

to attend its meeting to provide such pertinent information as the Committee may require.

- 4.2 The Committee has the sole authority to appoint, retain and terminate, as it deems necessary, any legal advisor or other consultants, including search firms or other professionals to advise and assist the Committee in fulfilling its duties and responsibilities. The Committee shall approve the fees to be paid as well as the terms of the engagement. (As amended on November 14, 2022)

#### **ARTICLE V - MEETINGS**

- 5.1 The Committee shall meet as often as its members may deem necessary and appropriate in order to perform its functions, at least once for each quarter at a time and place as determined by its Chairman.
- 5.2 The meetings of the Committee shall be conducted in accordance with the provisions of the By-laws of the Corporation.
- 5.3 The quorum necessary for the transaction of business shall be a majority of the total Committee membership. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretion vested in or exercisable by the Committee.
- 5.4 The Chairman of the Committee or his authorized representative shall report to the Board all actions of the Committee at the meeting of the Board following such actions.

#### **ARTICLE VI - PERFORMANCE ASSESSMENT**

The Committee shall conduct an annual self-assessment of its performance, including the performance of its individual members. The results of the assessment should be forwarded to the Corporate Governance Committee for further assessment and validation.

#### **ARTICLE VII - AMENDMENTS**

This Charter shall be reviewed by the Committee annually. Any proposed changes shall be approved by the Board.

#### **ARTICLE VIII - EFFECTIVITY CLAUSE**

This Charter has been approved and adopted by the Board of the Corporation on May 28, 2018.