

**TMC LIFE SCIENCES BERHAD (624409-A)**  
(Incorporated in Malaysia)

**AUDIT AND RISK MANAGEMENT COMMITTEE - TERMS OF REFERENCE**

**PRIMARY PURPOSES**

The Audit and Risk Management Committee ("ARMC") shall:-

1. provide assistance to the Board of Directors in fulfilling its fiduciary responsibilities relating to the corporate accounting and practices for the Company and all its wholly and majority owned subsidiaries ("Group").
2. improve the Group's business efficiency, the quality of the accounting function, the system of internal controls and audit function and strengthen the confidence of the public in the Group's reported results.
3. maintain through regularly scheduled meetings, a direct line of communication between the Board of Directors and the external auditors as well as the internal auditors.
4. enhance the independence of both the external and internal auditors function through active participation in the audit process.
5. strengthen the role of the independent Directors by giving them a greater depth of knowledge as to the operations of the Company and the Group through their participation in the ARMC.
6. act upon the Board of Directors' request to investigate and report on any issues or concerns in regard to the management of the Group.

**COMPOSITION**

The ARMC shall be appointed by the Board of Directors from amongst themselves which fulfils the following requirements: -

1. The ARMC shall be composed of no fewer than three (3) members;
2. A majority of the ARMC must be independent directors;
3. The Chairman of the ARMC shall be an independent director;
4. The Chief Executive Officer or any alternate director shall not be a member of the ARMC;

## **RETIREMENT AND RESIGNATION**

In the event of any vacancy in the ARMC, the Company shall fill in the vacancy not later than three (3) months.

## **RIGHTS & AUTHORITY**

The ARMC shall in accordance with the procedure determined by the Board of Directors and at the cost of the Company:-

- (a) have explicit 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 restricted access to any information pertaining to the Company which it requires in the course of performing its duties;
- (d) have unrestricted access to the Chief Executive Officer and the Chief Financial Officer;
- (e) have direct communication channels with the external auditors and person(s) carrying out the internal audit function;
- (f) be able to obtain independent/external professional or other advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary; and
- (g) be able to convene meetings with the external auditors without the attendance of the executive members of the Board when needs arise.

## **FUNCTIONS AND DUTIES**

The functions of the ARMC are as follows:-

- (1) To review the following and report the same to the Board of Directors:-
  - (a) with the external auditor:
    - (i) the audit plan;
    - (ii) evaluation of the system of internal controls;
    - (iii) any significant audit findings, reservations, difficulties encountered or material weaknesses reported by the external auditors; and
    - (iv) the external audit report;
  - (b) the assistance given by the employees of the Company to the external auditor;
  - (c) the adequacy of the scope, functions, competency and resources of the internal audit and that the internal auditors has the necessary authority to carry out their works;
  - (d) the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
  - (e) the quarterly financial report and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:-

- (i) changes in or implementation of major accounting policy changes;
  - (ii) significant and unusual events or transactions;
  - (iii) significant matters highlighted including financial reporting issues, significant judgements made by management and how these matters are addressed; and
  - (iv) compliance with accounting standards and other legal requirements;
- (f) the assessment of suitability and independence of external auditors;
- (g) the provision of non-audit services by external auditors;
- (h) 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;
- (i) any letter of resignation from the external auditors, if any;
- (j) whether there is reason (supported by grounds) to believe that the external auditor is not suitable for re-appointment; and
- (k) in relation to the risk management:-
- (i) provide an objective view on the effectiveness of the risk management framework, review and monitor risk reporting;
  - (ii) act as an advisor, educator and change catalyst in risk and control areas in the organisation;
  - (iii) provide an independent view on specific risk and control issues, trends and events;
  - (iv) evaluate how the management is reviewing the principal business risks and assess the appropriateness of the mechanisms in place to identify, prevent and minimise these business risks;
  - (v) ensure an appropriate system is established to identify and report on areas of potential business risk timely for remedial actions to be taken;
  - (vi) recommend to the Board its findings and propose course of actions to be taken to ensure controls are put in place to address these risks. Senior management of the Group is responsible for the actions to be taken;
  - (vii) seek regular assurance from management to ensure alignment of risk management strategies and culture with the Group's business objectives;
  - (viii) seek regular assurance from management to ensure that appropriate risk reporting structure is established to facilitate reporting of risks to management and the Board; and
  - (ix) seek regular assurance from management to ensure that a comprehensive risk management approach is in place to identify risks, communicate risk inter-relationships and manage risk profiles across the organisation.
- (2) To recommend the nomination of external auditors and their audit fees.
- (3) To carry out any other function that may be mutually agreed upon by the ARMC and the Board of Directors which would be beneficial to the Company and ensure the effectiveness discharge of the ARMC's duties and responsibilities.

- (4) To report to the Board of Directors with such recommendations as the ARMC deemed appropriate.
- (5) To report to the Bursa Malaysia Securities Berhad (“Bursa Securities”) on any matter reported by it to the Board of Directors of the Company which has not been satisfactorily resolved resulting in a breach of the Main Market Listing Requirements of Bursa Securities.

### **MEETINGS**

1. The ARMC shall meet at least four (4) times in a year or more frequently as circumstances required with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.
2. A minimum of two (2) independent members present shall form the quorum. The quorum of the meeting is by the presence of a majority of independent members.
3. Upon the request of any member of the ARMC, the external auditors or the internal auditors, the Chairman of the ARMC shall convene a meeting of the ARMC to consider matters which should be brought to the attention of the directors or shareholders.
4. The external auditors and internal auditors have the right to appear and be heard at any meeting of the ARMC and shall appear before the ARMC when required to do so by the ARMC.
5. The ARMC may invite any Board member or any member of management or any employee of the Company who the ARMC thinks fit to attend its meetings to assist and to provide pertinent information as necessary.
6. The Company must ensure that other directors and employees attend any particular ARMC meeting only at the ARMC’s invitation, specific to the relevant meeting.

### **PROCEDURE OF ARMC**

The ARMC may regulate its own procedures, 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.

### **SECRETARY**

The Company Secretary or other appropriate senior official shall be the Secretary to the ARMC.