

Risk Management and Sustainability Committee of Duopharma Biotech Berhad

Terms of Reference

This Terms of Reference sets out the matters concerning the governance of the Risk Management and Sustainability Committee (“RMSC” or the “Committee”).

1. Purpose

- 1.1 The purpose of the Committee is to assist the Board of Directors (“Board”) in ensuring that there is a sound system for risk management and effective management of sustainability practices within Duopharma Biotech Berhad (“Duopharma” or the “Company”) and its subsidiaries (collectively referred to as the “Group”); and
- 1.2 In the exercise of its functions, it is understood that the RMSC is not delegated with decision-making powers but shall report its recommendations to the Board for decision. The existence the RMSC does not diminish the Board’s ultimate statutory and fiduciary responsibility for the decision-making relating to the functions and duties of the Committee.

2. Principles

- 2.1 The Group consciously takes measured amount of risks and manages financial and non-financial risks effectively to meet its long term goals and objectives;
- 2.2 Risk management and sustainability are integral parts of the Group’s business practice at all levels of the Group; and
- 2.3 The Committee will keep under review the effectiveness of Group’s risk management system and sustainability framework, taking into account:
 - (a) the development and maintenance by management of a comprehensive risk management framework;
 - (b) the integration of material economic, environmental and social considerations in the operations of the Group;
 - (c) the Group’s culture of risk management (including awareness, education and training for all levels of staff);
 - (d) feedback from the Management, internal auditor and the external auditor on the effectiveness of Risk Management system;
 - (e) changes to the divisional risk profiles, arising from the material, financial and non-financial exposures surrounding the divisions and/or any part of the Group; and
 - (f) the likelihood, impact and mitigation of significant risk events.

3. Composition

- 3.1 Size
 - (a) The Committee shall have at least three (3) members.
- 3.2 Membership
 - (a) The Committee shall comprise a majority of Independent Directors (*Step Up 9.3, Malaysian Code on Corporate Governance*).

- 3.3 Chairman of the committee
- (a) The Chairman of the Committee shall be a Non-Executive Director.
- 3.4 Secretary of the Committee
- (a) The Secretary of the Committee (“Secretary”) shall be the Company Secretary or his representative.

4. Appointment of members

- 4.1 The Nomination and Remuneration Committee (“NRC”) in consultation with the RMSC shall recommend the appointment of RMSC members to the Board;
- 4.2 Members shall be appointed based on their ability to devote time, skills and experience relevant to their duties within the RMSC; and
- 4.3 The members serving the RMSC shall be changed at appropriate and regular intervals. In order to ensure that the entire Committee is not replaced at any one time, such change of members shall be done on a progressive basis.

5. Performance evaluation

- 5.1 The effectiveness of the RMSC (including skills mix and contribution of members) shall be assessed annually by the NRC (*paragraph 15.08A of Main Market Listing Requirements by Bursa Malaysia Securities Berhad and Practice 5.1 of the Malaysian Code on Corporate Governance*).

6. Duties

Subject to any resolution of the Board, the duties of the Committee are to:

- 6.1 Determine the risk appetite, framework, policies and processes for identifying and managing and/or accept risks beyond the approval discretion provided to Management.
- 6.2 Review the alignment of sustainability efforts undertaken by the Group vis-à-vis the strategic context and expectations of stakeholders;
- 6.3 Review the effectiveness of the sustainability framework, including policies relating to the environment, health and safety practices of the Group;
- 6.4 Provide recommendations to the Board on the risk strategy, parameters of the Group’s risk-reward trade-off, monitor the alignment of the Group’s risk profile with the risk appetite and ensure that the Group maintains an appropriate level and quality of capital in line with the risks inherent in its activities and projected business performance;
- 6.5 Monitor changes anticipated for the business environment, including consideration of emerging risks, legislative or regulatory changes, major initiatives and other factors considered relevant to the Group’s risk profile and provide report on the same to the Board for overall consideration on the Group’s business and operations;
- 6.6 Engage Group Risk Management Department (“GRMD”) in ongoing risk appetite dialogue and provide timely input to the Senior Management as business condition changes and new opportunities arise;

- 6.7 Receive, review, scrutinise and provide commentaries on reports from the GRMD concerning:
- (a) Risk management policies, strategies, processes and controls, status of the implementation and effectiveness thereof, within the divisions and, if thought fit, approve or vary them;
 - (b) Alignment or integration of risk management activities with other management activities/tools which include formulation of strategies, development of business plans, budgeting, forecasting and performance review, within the divisions; and
 - (c) Identification and management of enterprise risks which could impact the achievement of business objectives.
- 6.8 Review pertinent considerations relating to proposed investments (including mergers and acquisitions);
- 6.9 Oversee the effective management of stakeholder engagement with regards to the pursuit of strategic sustainability goals;
- 6.10 Consider and recommend to the Board on positioning in relation to emerging sustainability issues;
- 6.11 Ascertain if a sound and effective approach has been followed in establishing the Group's business continuity planning arrangements including whether disaster recovery plans and procedures have been tested periodically;
- 6.12 Encourage a healthy risk culture and watch for dysfunctional behaviours which may impair the effectiveness of the risk management process;
- 6.13 Co-ordinate activities with other Board Committees on risk oversight to avoid overlaps in the overall risk oversight process;
- 6.14 Oversee disclosures relating to risk management and sustainability in accordance with Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the Malaysian Code on Corporate Governance;
- 6.15 Review and recommend to the Board of Directors all budgeted capital expenditure in excess of RM3 million as proposed by companies within the Group;
- 6.16 Review and recommend to the Board of Directors all acquisition of assets/properties (including land and trademarks) by the Group;
- 6.17 Review and recommend to the Board of Directors any unbudgeted operating expenditure item exceeding the Group Managing Director's limits of authority up to a maximum of RM1 million;
- 6.18 Review and recommend to the Board of Directors all acquisitions, investments and divestments of companies (excluding dormant companies) and setting up of new business including joint ventures, irrespective of value;
- 6.19 Monitor progress of investment proposals, capital expenditure and projects approved by the Board of Directors;
- 6.20 Review the post-expenditure review of the investment proposal, capital expenditures and projects approved by the Board of Directors at least eighteen (18) months upon commencement of the projects; and
- 6.21 Consider other matters as referred to the Committee by the Board;

In respect of Item 6.16 the Group Managing Director is given the authority to approve any budgeted capital expenditure (excluding land and properties) amounting to RM3 million and below, in line with the

Group's Limits of Authority. All capital expenditure approved by the Group Managing Director shall be tabled to the RMSC for information.

7. Meetings

7.1 Meeting frequencies and calling of meetings

- (a) The Committee shall meet at least once in every quarter or as frequently as the circumstances dictate; and
- (b) Additional meetings shall be scheduled as considered necessary by the Committee. The Chairman of the Committee shall call for a meeting if requested to do so by the Chairman of the Board or requested by another member of the Committee.

7.2 Quorum and participation

- (a) The quorum for meetings of the Committee shall be two (2) members;
- (b) In the event the Chairman is unable to be present for a meeting, the members who are present at the meeting can appoint a Chairman among themselves to chair the meeting;
- (c) Each individual Committee member shall attend at least 50% of the Committee meetings held during the financial year;
- (d) The Committee may request other Directors, members of Management, counsels or consultants to attend the Committee meetings by invitation if necessary; and
- (e) The meetings shall convene in a face-to-face manner. If a member is unable to be present at the meeting venue, his/her participation through tele/ video-conferencing or other appropriate means may be permitted.

7.3 Notice on meetings and information flow

- (a) Notice of a meeting shall be sent to all members in a timely manner, which should include the date, time, venue and the agenda of the meeting (*Paragraph 4- notice on meetings, Third Schedule of Companies Act 2016*);
- (b) The RMSC meeting agendas shall be developed by the Chairman of the RSC and the Secretary in consultation with Management; and
- (c) The Chairman together with the Company Secretary shall ensure that sufficient information such as the agenda and accompanying meeting materials for each meeting are circulated at least five (5) days before each meeting to the Committee members and all those who are invited to attend the meeting (*Guidance on Practice 1.5, Malaysian Code on Corporate Governance*).

7.4 Voting

- (a) A matter put to vote at the Committee meetings shall be decided by a simple majority of the votes cast and in the event of an equality of votes, the Chairman has the casting vote. A member of the Committee who has an interest or is involved directly or indirectly in any matter under consideration by the meeting, shall not participate in the voting process.

7.5 Meeting minutes

- (a) The Committee shall cause minutes to be duly entered in the books provided for the purpose of all resolutions and proceedings of all meetings of the Committee (*Paragraph 13, Third Schedule of Companies Act 2016*);
- (b) The minutes shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting and if so signed, shall be conclusive and contemporaneous evidence without any further proof of the facts thereon stated;

- (c) All members should ensure that the meeting minutes accurately reflect the deliberations and decisions of the Committee, which includes any dissenting comments made (*Guidance to Practice 1.5, Malaysian Code on Corporate Governance*); and
- (d) The reproduction of any parts of the meeting minutes shall only be performed through or by the Secretary.

7.6 Reporting

- (a) The report of each Committee meeting shall be tabled and presented to the Board during the subsequent Board meeting to keep them informed and updated on the key issues deliberated by the Committee.

8. Authority

8.1 Unless otherwise provided by or subject to any applicable laws or legislative requirements, the Committee shall have the permission to obtain resources needed to fulfil its duties and responsibilities as set out in this Terms of Reference based on an agreed-upon procedure and at the expense of the Group, such as:

- (a) to obtain professional and independent advice from external advisors with relevant knowledge and experience, either through the Group Managing Director or Company Secretary's office, when it is deemed necessary; and
- (b) full and unrestricted access to information concerning the Group.

(paragraph 15.04 of Main Market Listing Requirements by Bursa Malaysia Securities Berhad)

9. Review and amendment of the terms of reference

- 9.1 This Terms of Reference has been approved by the Board. The Board shall review this Terms of Reference periodically and make amendments when necessary; and
- 9.2 The Secretary shall ensure that the provisions of this Terms of Reference continue to comply with legal requirements and corporate governance enumerations applicable to the Group and, if necessary, shall suggest amendments to the Terms of Reference for consideration by the Board.