

Audit Committee of Duopharma Biotech Berhad

Terms of Reference

This Terms of Reference sets out the matters concerning the governance of the Audit Committee (“AC” or the “Committee”).

1. Purpose

- 1.1 The purpose of the AC is to assist the Board of Directors (“Board”) in ensuring that there is robust oversight on financial reporting, external audit, internal audit and investigation matters concerning Duopharma Biotech Berhad (“Duopharma Biotech” or the “Company”) and its subsidiaries (collectively referred to as the “Group”).
- 1.2 In the exercise of its functions, it is understood that the AC is not delegated with decision-making powers but shall report its recommendations to the Board for decision. The existence of the AC 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. Composition

- 2.1 Size
- (a) The Committee shall have at least three (3) members *[paragraph 15.09(1)(a) of Main Market Listing Requirements by Bursa Malaysia Securities Berhad]*.
- 2.2 Membership
- (a) All the Committee members shall be Non-Executive Directors with the majority being independent *[paragraph 15.09(1)(b) of Main Market Listing Requirements by Bursa Malaysia Securities Berhad]* and it is desirable for the AC to comprise solely of independent Directors *(Practice 9.4, Malaysian Code on Corporate Governance)*;
- (b) At least one member of the Committee:
- must be a member of the Malaysian Institute of Accountants (“MIA”); or
 - if not a member of MIA:
 - he or she must have at least three years of working experience; and
 - he or she must have passed the examination specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - he or she must be a member of one of the Associations of Accountants specified in Part II of the 1st Schedule of the Accountants Act 1967;
- or
- fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad (“the Exchange”)¹.
- [paragraph 15.09(1)(c) of Main Market Listing Requirements by Bursa Malaysia Securities Berhad]*
- (c) The Chairman of the Board shall not be a member of the Committee *(Practice 1.4, Malaysian Code on Corporate Governance)*

¹ A degree/masters/doctorate in accounting or finance and at least 3 years’ post-qualification experience in accounting or finance or a member of any professional accountancy organisation which has been admitted as a full member of the International Federation of Accountants or at least 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 *(paragraph 7.1, Practice Note 13, Main Market Listing Requirements by Bursa Malaysia Securities Berhad)*.

- (d) There shall not be any Alternate Director appointed as a Committee member [*paragraph 15.09(2) of Main Market Listing Requirements by Bursa Malaysia Securities Berhad*].

2.3 Chairman of the Committee

- (a) The Chairman of the AC shall not be the Chairman of the Board (*Practice 9.1, Malaysian Code on Corporate Governance*);
- (b) The members of the Committee must elect a Chairman among themselves who is an Independent Director (*paragraph 15.10 of Main Market Listing Requirements by Bursa Malaysia Securities Berhad*); and
- (c) Before appointment as Chairman of the AC, it is desirable for the appointee to have served on the AC for an appropriate period.

2.4 Secretary of the committee

- (a) The secretary of the Committee (“Secretary”) shall be the Company Secretary or his or her representative.

3. Appointment of members

- 3.1 The Nomination and Remuneration Committee (“NRC”) shall recommend the appointment of AC members to the Board for Board’s approval;
- 3.2 Members shall be appointed based on their ability to devote time, character, integrity, competence and experience relevant to their duties of the AC. Collectively, the Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and able to understand matters under the purview of the AC including the financial reporting process (*Practice 9.5, Malaysian Code on Corporate Governance*);
- 3.3 All appointed members of the Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules (*Practice 9.5, Malaysian Code on Corporate Governance*);
- 3.4 Former partners of the external audit firm and its affiliates (including those providing advisory services, tax consulting etc) shall observe a three-years cooling-off period prior to being entitled for appointment to the AC, as outlined in the Company’s Policy on External Auditor (*Practice 9.3, Malaysian Code on Corporate Governance*);
- 3.5 The members serving the Committee shall be refreshed at appropriate and regular intervals. In order to ensure that the entire Committee is not replaced at any one time and the change does not affect the composition in terms of compliance with legislative promulgations, such change of members shall be done on a progressive basis; and
- 3.6 In the event of any vacancy in the Committee, which results in fewer than three (3) Committee members with a majority of Independent Directors and/or absence of an MIA member or equivalent and/or the absence of an Independent Chairman, the vacancy must be filled within three (3) months (*paragraph 15.19 of Main Market Listing Requirements by Bursa Malaysia Securities Berhad*).

4. Performance evaluation

- 4.1 The effectiveness of the AC as a Board Committee (including skills mix and contribution of members) and each of its members and the term of office shall be assessed annually by the NRC to determine whether the AC and its members have carried out their duties in accordance with their terms of reference (*paragraph 15.20 of Main Market Listing Requirements by Bursa Malaysia Securities Berhad and Practice 5.1, Malaysian Code on Corporate Governance*).

5. Duties of the Chairman of the Committee

- 5.1 The key duties of the Chairman of AC shall include the following:
- (a) Ensure the overall effectiveness and independence of the Committee (*Guidance to Practice 9.1, Malaysian Code on Corporate Governance*);
 - (b) Plan and conduct the AC meetings;
 - (c) Ensure that the AC meetings are run efficiently and each agenda item is thoroughly and thoughtfully discussed by all members of the committee;
 - (d) Encourage open discussion during meetings;
 - (e) Oversee reporting to the Board; and
 - (f) Act as the key contact between the Committee members and members of the Board and maintain active ongoing dialogue with Management and both internal and external auditors.
- 5.2 The Chairman of AC together with other members of the Committee shall also ensure, amongst others, the following:
- (a) The Committee is fully informed about significant matters related to the Company's audit and its financial statements and addresses these matters;
 - (b) The Committee appropriately communicates its insights, views and concerns about relevant transactions and events to internal and external auditors;
 - (c) The Committee's concerns on matters that may have an effect on the financials or audit of the Company are communicated to the external auditor; and
 - (d) There is co-ordination between internal and external auditors.
- (Guidance to Practice 8.1, Malaysian Code on Corporate Governance)*

6. Duties of the committee

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

- 6.1 To carry out the following, in relation to the **financials and financial reporting process**:
- (a) Overseeing the Finance function within the Group so as to ensure it is carried out by the right personnel with the skills, experience, training and authority;
 - (b) Review and report the same to the Board the quarterly and year-end financial statements, before the approval by the Board, focusing particularly on:
 - changes in or implementation of major accounting policy changes;
 - significant adjustments arising from the audit;
 - 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 accounting standards and other legal requirements.

[paragraph 15.12(1)(g) of Main Market Bursa Listing Requirements by Bursa Malaysia Securities Berhad]
 - (c) Review the Company's dividend distribution strategies.

6.2 To carry out the following, in relation to the **external audit function**:

- (a) Consider and recommend to the Board on the nomination, appointment, termination of the external auditor, as well as the external auditor's remuneration, in line with the Company's Policy on External Auditor;
- (b) Assess annually the suitability, objectivity and independence of the external auditor, in line with the Company's Policy on External Auditor;
- (c) Discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- (d) Review and report the same to the Board, along with the external auditors, the audit plan, evaluation of the system of internal controls and the audit report. The Committee shall also report to the Board on the assistance given by the employees to the external auditors [*paragraphs 15.12(1)(a)-(e) of Main Market Bursa Listing Requirements by Bursa Malaysia Securities Berhad*];
- (e) Discuss problems and reservations arising from the interim and final audits, and any matter that the external auditor may wish to discuss (in the absence of management where necessary);
- (f) Convene private session with the external auditors without the presence of the management of the Group, at least twice a year;
- (g) Review the external auditor's management letter and management's response;
- (h) Ensure that the external auditor reviews a statement made by the Board with regards to the state of risk management and internal controls of the Group and reports the results thereof to the Board (*paragraph 15.23 of Main Market Bursa Listing Requirements by Bursa Malaysia Securities Berhad*);
- (i) Recommend to the Board on the extent and nature of non-audit services that can be carried out by the external auditor and ensure adequacy of checks and balances on the provision of such non-audit services, in line with the Company's Policy on External Auditor; and
- (j) Review and recommend the remuneration of the external auditor, in line with the Company's Policy on External Auditor.

6.3 To carry out the following, in relation to **internal controls** and the **internal audit function**:

- (a) Review related party transactions and conflicts of interest situations that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity [*paragraph 15.12(1)(h) of Main Market Bursa Listing Requirements by Bursa Malaysia Securities Berhad*];
- (b) Review material litigation, claims or issues with substantial financial impact based on the materiality levels determined in accordance with the Company's policy;
- (c) Review and approve the annual internal audit plan and processes;
- (d) Review the adequacy of the scope, functions, competency and resources of internal audit function and that it has the necessary authority to carry out its work [*paragraph 15.12(1)(e) of Main Market Bursa Listing Requirements by Bursa Malaysia Securities Berhad*];
- (e) Review the Group Internal Audit Scorecard and accompanying key performance indicators;
- (f) Review and endorse the internal audit charter which outlines the purpose, authority and responsibility of the Group Internal Audit;
- (g) Review the results of internal audit plan, and internal audit reports, and review the findings of investigation undertaken on internal control weaknesses (including but not limited to integrity/anti-corruption related matters within the Group) and whether or not appropriate action is taken on the recommendations of the internal audit function

[paragraph 15.12(1)(f) of Main Market Bursa Listing Requirements by Bursa Malaysia Securities Berhad];

- (h) Review and approve the annual budget for Group Internal Audit;
- (i) Approve the appointment and termination of the Head of Group Internal Audit;
- (j) Review the job grade of the Head of Group Internal Audit;
- (k) Review and approve any appraisal on performance as well as competency of the Head of Group Internal Audit; and
- (l) Review the reasons for the resignations of the Head of Group Internal Audit, if applicable;
- (m) Review the statement to be made by the Board with regards to the state of risk management and internal controls of the Group and reports the results thereof to the Board; and
- (n) Convene private session with the Head of Group Internal Audit without the presence of the Management of the Group, at least twice a year.

The AC may undertake to perform any additional functions delegated to it by the Board.

7. Meetings

7.1 Meeting frequencies and calling of meetings

- (a) Meetings shall be held no less than five (5) times a year, or as frequently as the circumstances dictate;
- (b) Additional meetings shall be scheduled as considered necessary by the Committee or Chairman of the AC. 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;
- (c) Upon the request of the external auditor, the Chairman must convene a meeting of the Committee to consider any matter the external auditor believes should be brought to the attention of the Directors or shareholders (*paragraph 15.24 of Main Market Bursa Listing Requirements by Bursa Malaysia Securities Berhad*); and
- (d) The Committee shall meet with the external auditors, the internal auditors or both, in the absence of other Directors or employees of the Company at least twice a year or whenever deemed necessary.

7.2 Quorum and participation

- (a) The quorum for the meetings of the Committee shall be two (2) members and the majority of members present shall be Independent Directors (*paragraph 15.18 of Main Market Listing Requirements by Bursa Malaysia Securities Berhad*);
- (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 Managing Director, Finance Director and Head of Internal Auditor shall normally be invited to attend the meeting;
- (e) The Committee may request other Directors, members of Management, counsels or consultants to attend the Committee meetings by invitation if necessary;
- (f) The Committee shall ensure that other Directors and employees attend any particular AC meeting only at the Committee's invitation, specific to the relevant meeting

(paragraph 15.13 of Main Market Listing Requirements by Bursa Malaysia Securities Berhad); and

- (g) The meetings shall convene in a face-to-face manner or remotely (i.e., via virtual means). 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. The member shall ensure all deliberations or information being communicated remotely is treated with confidence, and he/she shall prevent any leakage of information/materials to any third party.

7.3 Notice on meetings and information flow

- (a) Notice of the Committee's 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 AC meeting agendas shall be developed by the Chairman of the AC and the Secretary in consultation with Management; and
- (c) The Chairman of the Committee together with the Secretary shall ensure that sufficient information such as the agenda and accompanying meeting materials for each meeting are circulated at least five (5) business days before each meeting to the Committee members and all those who are invited to attend the meeting, where applicable (*Guidance to Practice 1.6, 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 of the meeting 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 Circular Resolution

- (a) A circular resolution in writing shall be valid and effectual as if it had been passed at a meeting of the AC when it is approved and signed by a majority of the AC members.

7.6 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 as well as abstention of the members (*Guidance to Practice 1.6, 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.

7.7 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.
- (b) The AC shall oversee the preparation of the Committee's Report in accordance with paragraph 15.13 of Main Market Listing Requirements by Bursa Malaysia Securities Berhad.

8. Authority

8.1 The AC in the performance of its duties and at the expense of the Group, is authorised by the Board:

- (a) to investigate any matter within its Terms of Reference;
- (b) to engage the necessary resources required to carry out its duties and to obtain independent professional or other advice it considers necessary;
- (c) to have full and unlimited access to any information and documents pertaining to the Group;
- (d) to have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity; and
- (e) to be able to convene meetings with the external auditors, the person(s) carrying out the internal audit function or activity or both, excluding the attendance of Executive Directors and employees of the Company (with the exception of the Company Secretary), whenever deemed necessary.

(paragraph 15.17 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 Company 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.