

# **AUDIT AND RISK MANAGEMENT COMMITTEE – TERMS OF REFERENCE**

Approved by : Board of Directors

Approved date : 30 June 2023

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

## 1.0 Purpose

- 1.1 The purpose of the ARMC is to assist the Board of Directors (“Board”) in ensuring that there is robust oversight on financial reporting, external audit, internal audit and compliance matters concerning TMC Life Sciences Berhad (“TMC” 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 ARMC is not delegated with decision-making powers but shall report its recommendations to the Board for decision. The existence of the ARMC does not diminish the Board’s ultimate statutory and fiduciary responsibility for the decision-making relating to the functions and duties of the Committee.
- 1.3 Other objective of the ARMC includes:
- (a) Improving the Group’s business efficiency, the quality of the accounting function, the system of internal controls and audit function and strengthening the confidence of the public in the Group’s reported results.
  - (b) 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.
  - (c) Enhance the independence of both the external and internal auditors’ functions through active participation in the audit process.
  - (d) 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.
  - (e) Act upon the Board of Directors’ request to investigate and report on any issues or concerns in regard to the management of the Group.

## 2.0 Composition

### 2.1 Size

- (a) The Committee shall have at least three (3) members *[Paragraph 15.09(1)(a) of the Main Market Listing Requirements by Bursa Malaysia Securities Berhad]*.

### 2.2 Membership

- (a) The Committee members shall comprise Non-Executive Directors with a majority being Independent Directors *[Paragraph 15.09(1)(b) of the Main Market Listing Requirements by Bursa Malaysia Securities Berhad]*.
- (b) At least one (1) of the Committee member must be:
  - i. A member of the Malaysian Institute of Accountant (“MIA”); or
  - ii. If not a member of MIA:
    - He/ she must have at least three (3) years of working experience and -
      - (aa) He/ she must have passed the examinations specified under Part I of the First Schedule of the Accountants Act 1967; or
      - (bb) He/ she must be a member of one (1) of the associations of the accountants specified under Part II of the First Schedule of the Accountants Act 1967; or

iii. Fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad (“Bursa Securities”).

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

### **2.3 Chairman of the Committee**

(a) The Chairman, who shall be selected by the Committee, shall be an Independent Director and not be the Chairman of the Board *(Practice 9.1 of the Malaysian Code on Corporate Governance)*.

(b) In the absence of the Chairman, the meeting shall be chaired by another Independent Director, as decided amongst the Committee members.

(c) The Chairman should engage on a continuous basis with senior management, such as the Group Chief Executive Officer, Group Chief Financial Officer as well as the internal auditor and the external auditor in order to be kept informed of matters affecting the Company.

(d) The Company Secretaries or other appropriate seniors shall be the Secretaries to the ARMC.

### **3.0 Appointment of members**

**3.1** The Nomination Committee (“NC”) in consultation with the ARMC shall recommend the appointment of the ARMC members to the Board.

**3.2** The ARMC members shall be appointed based on their ability to devote time, character, integrity, competence and experience relevant to their duties of the ARMC. 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 ARMC including the financial reporting process *(Practice 9.5 of the 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 of the Malaysian Code on Corporate Governance)*.

**3.4** 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 (1) 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 periodic basis.

**3.5** In case a former partner of the external audit firm (applies to all former partners of the audit firm and/or the affiliate firm (including those providing advisory services, tax consulting, etc.) is being nominated as a member of the Committee, he/she shall observe a cooling-off period of at least three (3) years before being appointed as a member of the Committee *(Practice 9.2 of the Malaysian Code on Corporate Governance)*.

**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]*.

### **4.0 Performance evaluation**

- 4.1 The effectiveness and performance of the ARMC as a Board Committee (including skills mix and contribution of members) and term of the office shall be assessed annually by the NC (*Paragraph 15.20 of the Main Market Listing Requirements by Bursa Malaysia Securities Berhad*). The assessment shall be facilitated using an Annual Performance Assessment model and the NC shall discuss the outcome of the assessment with the Chairman of the ARMC, prior to the Board deliberation.

## 5.0 Duties of the Chairman

- 5.1 The key duties of the ARMC Chairman shall include the following:

- (a) Ensure the overall effectiveness and independence of the Committee (*Guidance to Practice 9.1 of the Malaysian Code on Corporate Governance*).
- (b) Plan and conduct ARMC meetings;
- (c) Ensure that the ARMC 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 Board members, and maintain an active ongoing discussion with Management as well as internal and external auditors.

- 5.2 The ARMC Chairman, together with the other Committee members, 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 as well as to address such 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 financial or audit of the Company are communicated to the external auditor;
- (d) There is co-ordination between internal and external auditors; and
- (e) Ensure that regular reviews are conducted to assess the performance, efficiency and effectiveness of an anti-corruption programme. Such reviews may take the form of an internal audit, or an audit carried out by an external party.

*(Guidance to Practice 9.1 of the Malaysian Code on Corporate Governance)  
(Paragraph 4.4.1 of the Guidelines on Adequate Procedures)*

## 6.0 Duties of the Committee

The Committee assists the Board in discharging its statutory duties and responsibilities relating to accounting policies and procedure as well as reporting practices of the Company and the Group in accordance with Generally Accepted Accounting Practices.

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

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

- (a) Consider and recommend to the Board, the nomination and re-appointment of the external auditors and audit fee, after reviewing the suitability, resources, competency and independence of the external auditors;
- (b) Provide recommendations to the Board on matters of resignation, dismissal or cessation of office of the external auditors and justify the reasons;

- (c) Assess the suitability, objectivity and independence of the external auditor, including reviewing the external auditors' non-audit services;
- (d) Review and report to the Board on 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 *[Paragraph 15.12(1)(a)-(d) of the Main Market Listing Requirements by Bursa Malaysia Securities Berhad]*;
- (e) Review the external auditor's management letter, issues and/ or findings arising from the audit and management's response; and
- (f) Review the resignation letter from the external auditor, if any.

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

- (a) Review the adequacy of the scope, functions, competency and resources of internal audit functions and that it has the necessary authority to carry out its work *[Paragraph 15.12(1)(e) of the Main Market Listing Requirements by Bursa Malaysia Securities Berhad]*;
- (b) Review the internal audit plan, process, the results of the internal audit assessment or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function *[Paragraph 15.12(1)(f) of the Main Market Listing Requirements by Bursa Malaysia Securities Berhad]*;
- (c) Review any special audit which the ARMC deems necessary; and
- (d) Annually assess the performance of services provided by the internal auditors.

**6.3** To carry out the following, in relation to **financial reporting**:

- (a) Review and report the same to the Board on the quarterly results and year-end financial statements prior to the approval by the Board, focusing particularly on:
  - changes in or implementation of accounting policies changes;
  - significant matters highlighted including financial reporting issues, significant judgments made by Management, significant and unusual events or transaction, and how these matters are addressed; and
  - compliance with accounting standards, regulatory and other legal requirements.

*[Paragraph 15.12(1)(g) of the Main Market Listing Requirements by Bursa Malaysia Securities Berhad]*

**6.4** To carry out the following, in relation to **risk management and internal control**:

- (a) Determine and review the risk appetite so as to express the level and type of risk that the Group is willing to pursue or retain in achieving its strategic objectives;
- (b) Recommend such measures as to be taken by the Board on the effectiveness of the system of internal control and risk management practices of the Group;
- (c) Evaluate the quality and effectiveness of the Company's internal control system and management information systems, including in compliance with applicable laws, rules, corporate governance requirements and guidelines, recommend to the Board on the Statement on Risk Management and Internal Control and any changes to the said Statement;
- (d) Monitor changes anticipated for the economic and business environment, including consideration of emerging risks, legislative or regulatory changes, major initiatives and other factors considered relevant to the Group's risk profile;
- (e) Review findings of the internal audit on adequacy and effectiveness of the risk

controls, mitigation and corrective measures;

- (f) Ensure that the reviews of risk assessment and internal controls are reporting to all top-level management, including the full Board of Directors, and acted upon *[Paragraph 4.1.3(vii) of the Guidelines on Adequate Procedures]*;
- (g) Review whether the Company is operating in compliance with its policies and procedures in relation to corruption *[Paragraph 4.4.3(v) of the Guidelines on Adequate Procedures]*; and
- (h) Ensure that the external auditor reviews a statement made by the Board with regard to the state of risk management and internal controls of the Group and reports the results thereof to the Board *(Paragraph 15.23 of the Main Market Listing Requirements by Bursa Malaysia Securities Berhad)*.

**6.5** To carry out the following, in relation to **related party transactions**:

- (a) Review related party transactions and conflicts of interest situations that arose, persist or may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity and the measures taken to resolve, eliminate, or mitigate such conflicts *[Paragraph 15.12(1)(h) of Main Market Listing Requirements by Bursa Malaysia Securities Berhad]*;

**6.6** Other matters

- (a) To review whistleblowing reports and deliberate on the course of action for cases that are brought to the ARMC.
- (b) To report to Bursa Securities, if the ARMC views that a matter resulting in a breach of the Listing Requirements of Bursa Securities reported by the ARMC to the Board has not been satisfactorily resolved by the Board;
- (c) To prepare the ARMC Report for inclusion in the Company's Annual Report.
- (d) To review the following for publication in the Company's Annual Report:
  - Statement on Risk Management and Internal Control; and
  - Circular to Shareholders on Recurrent Related Party Transactions.
- (e) To highlight such matters as the ARMC considers appropriate or as defined by the Board from time to time; and
- (f) To undertake any other such functions as may be agreed to by the ARMC and the Board.

**7.0 Meetings**

**7.1** Meeting frequencies and calling of meetings

- (a) The ARMC shall meet at least four (4) times a year, or as frequently as the circumstances dictate with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities;
- (b) Additional meetings shall be scheduled as considered necessary by the Committee or Chairman of the ARMC. The Chairman of the ARMC shall call for a meeting if requested to do so by the Chairman of the Board or requested by another member of the Committee; and
- (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 Listing Requirements by Bursa Malaysia Securities Berhad)*.

## 7.2 Quorum and participation

- (a) 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 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 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.
- (e) The ARMC may invite any Board member or any member of management or any employee of the Company, whom the ARMC thinks fit, to attend its meetings to assist and to provide pertinent information as necessary;
- (f) 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 (*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. 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 of the Notice of Meeting, Third Schedule of Companies Act 2016*);
- (b) The ARMC meeting agendas shall be developed by the Chairman of the ARMC and the Company Secretaries in consultation with Management; and
- (c) The Chairman together with the Company Secretaries 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 (*Guidance on Practice 1.6 of the 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 1.6, Malaysian Code on Corporate Governance*); and
- (d) The reproduction of any parts of the meeting minutes shall only be performed through or by the Secretaries with the approval of the ARMC Chairman.

#### **7.6 Reporting and disclosure**

- (a) The reports and minutes 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, clearly demonstrating the Committee's decisions which necessitate Board's approval or ratification.

### **8.0 Authority**

**8.1** 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, including assigning a competent person or function to be responsible for all anti-corruption compliance matters [*Paragraph 4.1.3(v) of the Guidelines on Adequate Procedures*];
- (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 Group 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 the needs arise.

*(Paragraph 15.17 of Main Market Listing Requirements by Bursa Malaysia Securities Berhad)*

### **9.0 Review of the Terms of Reference**

**9.1** The ARMC shall recommend any changes to its Term of Reference in such manner as the ARMC deems appropriate to the Board for approval. The Terms of Reference shall be accessed, reviewed and updated where necessary i.e. when there are changes to the Malaysian Code on Corporate Governance, Listing Requirement or any other regulatory requirements. It should also be reviewed and updated when there are changes to the direction or strategies of the Group that may affect the ARMC's role.

**9.2** The Secretaries of the Committee 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.