



PHARMANIAGA BERHAD
(467709-M)

**RISK COMMITTEE
TERMS OF REFERENCE**

(as at 16 August 2019)

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1. Introduction

- 1.1. The purpose of the Risk Committee is to assist the Board of Directors of Pharmaniaga Berhad (“the Group”) in their responsibilities to:
- i) Oversee the establishment and implementation of the risk management framework; and
 - ii) Identify, assess and monitor the overall risk exposure of the Group, in order to safeguard the Group’s interests and enhance shareholder value.

2. Composition

2.1. Members of the Risk Committee

- i) The Risk Committee members shall be appointed by and from the Board, and the number shall not be less than three (3) members.
- ii) The Risk Committee members shall comprise a majority of Independent Directors. An alternate Director cannot be appointed as a member of the Risk Committee.
- iii) In the event of any vacancy in the Risk Committee, the Board shall within three (3) months of that event appoint such number of new members as may be necessary to make up the number of three (3) members.

2.2. Chairman of the Risk Committee

- i) The members of the Risk Committee shall elect a Chairman from among themselves, who shall be an Independent Non-Executive Director.
- ii) The Chairman of the Risk Committee is not the Chairman of the Board.
- iii) The Chairman of the Risk Committee is responsible for the overall effectiveness and independence of the Committee.

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3. Authority

- 3.1. In performing its duties, the Risk Committee has the following authority as empowered by the Board to:
- i) Have full and unrestricted access to any information it requires from any personnel from the Group;
 - ii) Acquire the resources which are required to perform its duties;
 - iii) Obtain independent / external professional advice with relevant experience and expertise as it may consider necessary;
 - iv) Direct communication channel with Risk Management Department (RMD); and
 - v) The Risk Committee makes recommendations to the Board on risk related matters for its consideration and implementation, but it has no executive power to implement such recommendations on behalf of the Board.

4. Responsibilities and Duties

- 4.1. The Risk Committee must provide oversight and accord sufficient priority in resources to manage risks faced by the Group.
- 4.2. In discharging its duties, the Risk Committee shall:
- 4.2.1. For Risk Management - Enterprise Risk Management (ERM) & Corruption Risk Management (CRM)
- i) Review and recommend the overall risk management strategies, framework and policies for the Board's approval;
 - ii) Monitor and review the Risk Management Committee's periodic report on key risk profiles and risk management activities;
 - iii) Obtain assurance from the Senior Management of the Group and its subsidiaries that the risk management and internal control system is operating adequately and effectively;
 - iv) Review the adequacy of the scope, functions, competency and resources of RMD and ensure that necessary authority is obtained for RMD to carry out their responsibilities; and

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- v) Review the disclosure in the Statement on Risk Management and Internal Control in the Group's Annual Report.

4.2.2. For Business Continuity Management (BCM)

- i) To ensure the Group adopts sound and effective Business Continuity Management (BCM) framework in order to safeguard the Group's interests; and
- ii) To ensure that the BCM framework is periodically reviewed and updated to reflect changes in the operating environment.

4.2.3. For major investments and projects

- i) Review all major investment and project business cases in accordance with established thresholds in the approved Limits of Authority, focusing on the following:
 - a) Evaluate the potential risks and mitigating action plans associated with the investment or project;
 - b) Monitor and review the implementation and effectiveness of mitigating action plans post approval and highlight key risks to the Board;
 - c) Evaluate the potential risks associated with funding options and costs, and investment returns and making its recommendation to the Board for approval of the investment or project; and
 - d) Review investment or project proposals considered significant including:
 - New lines of business (e.g. businesses outside existing sectors, expansion across industry value chains within current sector, and/or new franchises); or
 - New territories and countries (e.g. expansion of existing businesses into new markets or territories).

4.2.4. Other Responsibilities

- i) Monitor the ongoing awareness programmes on ERM, CRM and BCM; and
- ii) Carry out any other function that may be mutually agreed upon by the Board, which would be beneficial to the Group.

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5. Meetings

5.1. Company Secretary

The Company Secretary of Pharmaniaga or any other person appointed by the Risk Committee shall be the Secretary of the Risk Committee and shall have the following key responsibilities:

- i) Ensure meetings are arranged and held accordingly;
- ii) Assist the Chairman in planning the Risk Committee's activities;
- iii) Draw up meetings agendas in consultation with the Chairman and the head of risk management function, maintain minutes, and draft its scheduled activities for the financial year;
- iv) Ensure structured communication between the Board and the Risk Committee;
- v) Ensure proceedings of meetings are recorded and properly kept. The minutes shall be circulated to and confirmed by the Chairman before it is distributed to the Board for notation; and
- vi) Ensure Risk Committee recommendations presented to the Board are supported by papers, including minutes that explain the rationale for the Risk Committee's recommendations.

5.2. Quorum

- i) Three (3) members shall form a quorum for meetings.
- ii) The quorum for the Risk Committee meetings shall be a majority of Independent Non-Executive Directors.
- iii) In the absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst the members present.

5.3. Notice and Agenda

- i) Proper notice shall be issued for any Risk Committee meeting and the Chairman shall ensure that proper agenda is prepared for the meeting.
- ii) The agenda and relevant papers for the Risk Committee meeting must be issued at least five (5) days in advance of each meeting.

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5.4. Frequency and attendance

- i) Meetings shall be conducted at least four (4) times a year, or more frequently as circumstances dictate.
- ii) The Chairman, in consultation with the Company Secretary, shall determine the frequency of the meeting and discuss the schedule of meetings with all participants concerned.
- iii) Other members of the Board or Senior Management may attend the meetings upon the invitation of the Risk Committee.

5.5. Circular Resolution

A resolution in writing signed by all members shall be valid and effectual as if it had been passed at a meeting of the Risk Committee. All such resolution shall be forwarded to the Company Secretary without delay and shall be recorded by the Company Secretary in the minutes book. Any such resolutions may consist of several documents in the like form, each signed by one (1) or more members. The expressions “in writing” or “signed” include approval by legible confirmed transmission by facsimile, telegram or other forms of electronic communication.

6. Review of the Terms of Office

The Nominating and Remuneration Committee shall review the terms of office and performance of the Risk Committee and each of its members annually to determine whether the Risk Committee and its members have carried out their duties in accordance with their Terms of Reference.

7. Review of the Terms of Reference

The Terms of Reference shall be reviewed and updated by the Risk Committee on a periodic basis as it deems appropriate for the Board to approve. Such review shall be in line with any regulations that may have an impact on the discharge of the Risk Committee’s responsibilities.