



PHARMANIAGA BERHAD  
(467709-M)

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**RISK AND INVESTMENT  
COMMITTEE  
TERMS OF REFERENCE**

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(as at 25 November 2022)

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## **1. Introduction**

1.1. The purpose of the Risk and Investment Committee (“Committee”) is to assist the Board of Directors of Pharmaniaga Berhad (“the Group”) in their responsibilities to:

Risk:

- i) Oversee the establishment and implementation of the Enterprise 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 shareholders’ value.

Investment

- i) Recommend to the Board and review all significant investments made and to be made by Pharmaniaga Group. This shall include and is not limited to merger and acquisition, new partnerships, divestments and large capital expenditure projects.

## **2. Composition**

### **2.1. Members of the Committee**

- i) The Committee members shall be appointed by and from the Board, and the number shall not be less than three (3) and not more than five (5).
- ii) The Committee members shall comprise a majority of Independent Directors and at least one (1) Non-Independent Director. An alternate Director cannot be appointed as a member of the Committee.
- iii) In the event of any vacancy in the 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 Committee**

- i) The members of the Committee shall elect a Chairman from among themselves, who shall be an Independent Non-Executive Director.
- ii) The Chairman of the Committee is not the Chairman of the Board.
- iii) The Chairman of the 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 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);
  - v) 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;
  - vi) Review and recommend to the Board, investments and project business cases in accordance with the limits set out in the Limits of Authority (“LOA”); and
  - vii) Approve expenditure on due diligence for acquisitions, on a per-project basis within limits set out in the LOA.

**4. Responsibilities and Duties**

- 4.1. The Committee must provide oversight and accord sufficient priority in resources to manage risks faced by the Group.
- 4.2. In discharging its duties, the 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;

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

4.2.2. For Business Continuity Management (BCM)

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

4.2.3. For investments and projects

- i) Review all investment and project business cases in accordance with established thresholds in the approved LOA, including but not limited to the following:
  - a) Evaluate the potential risks and mitigating action plans associated with the potential investment and/or divestments 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, investment returns and making its recommendation to the Board for approval of the investment or project;
  - d) Review investment or project proposals considered significant including but not limited to:
    - New lines of business (e.g. businesses outside existing sectors, expansion across industry value chains within current sector, and/or new sector); or
    - New territories and countries (e.g. expansion of existing businesses into new markets or territories);
  - e) Review financial investment portfolio of the Company. This include but not limited to existing and new merger and acquisitions, new partnerships, divestments, corporate exercises

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and large capital expenditure projects;

- f) Oversee current and future capital and financial resource requirements;
- g) Conduct annual performance evaluation of the Group's investment activities;
- h) Monitor fund raising activities of the Group;
- i) Review progress of due diligence and implementation of the potential investments, divestments, and/or projects;
- j) Review the Group's strategic plan developed by Management in its effort to enhance shareholders' value.

#### 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 delegated by the Board, which would be beneficial to the Group.

## 5. Meetings

### 5.1. Company Secretary

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

- i) Ensure meetings are arranged and held accordingly;
- ii) Assist the Chairman in planning the 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 Committee and the Board;
- 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

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- vi) Ensure Committee's recommendations presented to the Board are supported by papers.

5.2. Quorum

- i) Three (3) members shall form a quorum for meetings.
- ii) The quorum for the 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 Committee meeting and the Chairman shall ensure that proper agenda is prepared for the meeting.
- ii) The agenda and relevant papers for the Committee meeting must be issued at least five (5) days in advance of each meeting.

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.
- iii) Other members of the Board or Senior Management may attend the meetings upon invitation from the 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 Committee. All such resolutions 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.

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**6. Review of the Terms of Office**

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

**7. Review of the Terms of Reference**

The Terms of Reference shall be reviewed and updated by the 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 Committee's responsibilities.