



## **Risk & Audit Committee Charter**

## 1. INTRODUCTION

The Board of SUDA PHARMACEUTICALS Limited (“SUDA” or “the Group”) has established a Risk and Audit Committee (“Committee”).

It is noted that the Committee is a sub-committee of the Board. The Committee has no decision-making powers except where expressly provided by the Board. The Committee’s role is to review and make recommendations to the Board.

## 2. ROLE

The primary objective of this Committee is to assist the Board in the discharge of its fiduciary and corporate governance responsibilities with regard to:

- i. Independently verifying and safe-guarding the integrity and supporting controls of SUDA’s financial reporting; and
- ii. Risk oversight

In delivering on these objectives, the Committee will assist the Board in

- i. assessing the Group’s risk appetite and risk tolerance;
- ii. overseeing the process for identification and mitigation of all material business and financial risks, including preparation of risk management plans; and
- iii. monitoring the effectiveness of the risk management framework.

## 3. MEMBERS AND INDEPENDENCE

- i. The Committee shall be comprised of a minimum of at least three members, of which two members are suitably qualified non-executive directors, where possible
- ii. The majority of members of the Committee shall be independent directors, where possible. Independence is given the same meaning as in the Board Charter.
- iii. The membership and chairmanship of the Committee will be reviewed annually to ensure an appropriate balance of skills and experience that the Committee mentorship includes appropriate financial expertise, with at least one member having relevant financial qualifications and experience, a diverse range of skills and experience as appropriate given the strategic, operational and financial risk profile of the Group. The review will ensure compliance with relevant legislation and regulatory requirements, including the Australian Securities Exchange.
- iv. A quorum shall be 2 members and will include at least one non-executive director.
- v. The Board may appoint such additional members to the Committee or remove and replace members of the Committee by resolution.
- vi. Members of management may attend meetings of the Committee at the invitation of the Committee Chair.
- vii. Attendees may not participate in deliberations of the Committee where the matter could affect his or her position or where he or she has a personal interest in the matter.
- viii. The Committee may delegate its authority to subcommittees or to the Chair of the Committee from time to time.

## 4. CHAIR

- i. The Board shall appoint one member of the Committee as Chair of the Committee.
- ii. The Chair should be a non-executive director.
- iii. The Chair shall be primarily responsible for the proper functioning of the Committee and shall be the main contact for the Board.
- iv. Where the Chair is absent from a committee meeting, the members of the Committee present will appoint a Chair for the meeting.

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## 5. RESPONSIBILITIES AND DUTIES

The duties of the Committee shall include reviewing and making recommendations and reporting to the Board on:

### i. Financial Reporting and Compliance

- a. Review, assess and make recommendations on the annual report, the half-year financial report and other financial information as appropriate to the extent directed by the Board. In assessing the financial statements, the Committee relies on management attestation, and also considers reports from the external auditors and other experts as required.
- b. Review the Group's accounting policies and make recommendations to the Board.
- c. Review procedures in place to ensure the Group is in compliance with corporate governance and ASX listing rules.
- d. Review procedures in place to ensure the Group is in compliance with accounting and taxation statutory requirements and other financial compliance obligations.
- e. Review updates provided by management and the external auditors regarding the Group's compliance with financial and statutory requirements, and other financial compliance obligations.
- f. Direct actions, as appropriate, to remedy financial compliance risks or instances of financial non-compliance where these arise.
- g. Ensure the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") state in writing to the Board that the Group's financial reports present a true and fair view, in all material respects, of the Group's financial condition, operational results and are in accordance with relevant accounting standards and that financial records have been properly maintained in accordance with relevant corporations laws.

### ii. Internal Control

Assist the Board in reviewing the effectiveness of the Group's internal control environment covering:

- a. Reliability of financial reporting.
- b. Appropriateness of the financial control environment.
- c. Compliance with applicable laws and regulations.

This includes overseeing the various methods used to assist in reviewing the effectiveness of the internal control environment, including external audit.

### iii. External Auditors

- a. On an annual basis review the performance of the external auditor.
- b. Request applications for tender of external audit services as deemed appropriate, taking into consideration assessment of performance and value of the existing provider, and tender costs.
- c. Recommend to the Board the appointment, removal and remuneration of the external auditor, and review their independence and competence on an ongoing basis.
- d. Review and make recommendations to the Board on the scope of the external audit, the terms of their engagement and audit fees.
- e. Review any reports provided by external audit and monitor the resolution of all significant audit findings.
- f. Resolve any significant disagreements between the external auditor and management
- g. Review and make recommendations to the level of non-audit services provided by the external auditor and ensure it does not adversely impact on auditor independence.
- h. Provide the external auditor with a clear line of direct communication at any time to either the Chair of the Risk & Audit Committee or the Chairman of the Board.

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#### iv. Risk Management

- a. Review and make recommendations to the Board on the Group's risk management strategy, risk management framework, risk management policy, and supporting procedures, including any changes made to these documents.
- b. Promote awareness of a risk-based culture and the achievement of a balance between risk minimisation and reward for risks accepted.
- c. Review the Group's risk appetite and tolerance annually to ensure its ongoing alignment with the Group's strategies.
- d. Oversee management's actions in relation to the identification, assessment, management and monitoring of the Group's material risks by:
  - Ensure material risks to achievement of the Group's strategies are identified and assessed.
  - Review and direct action as appropriate on the Group's material risk report.
  - Monitor the Group's internal and external environments to identify any new or emerging risks, to complement those identified and reported by management.
  - Monitor the implementation and effectiveness of risk management plans for the Group's material risks.
- e. Review the business contingency planning process within the Group and be assured that appropriate contingency plans are in place for material risks.
- f. Review the performance of the Risk Management functions and recommend improvements to the Board where required.
- g. Review the effectiveness of the Risk Management Framework at least annually. This review should include consideration of the design of the Framework, including the risk management strategies, policies and procedures, as well as the operational effectiveness of the Framework, including whether it is understood and being consistently applied and documented across the Group.

Require the CEO and the CFO, to state in writing to the Board that the Group's material risk report, and risk management framework review when conducted, presents a true and fair view, in all material respects, of the Group's system of risk management and internal control (in line with Principle 4 of Corporate Governance Guidelines of March 2014 or any revised principles dealing with risk).

- h. Monitor, on an ongoing basis, the Group's financial risks, and approve any significant mitigation strategies and/ or provide risk acceptance where appropriate
- i. Ensure compliance with the Risk Management Framework as it relates to areas within the Committee's responsibilities.
- j. Ensure the Board conducts a strategic review of key risks at least annually and that these risks are linked and integrated to the management annual formal risk review

#### v. Compliance

- a. Oversee the effectiveness of the Group's risk management compliance approach.
- b. Review all significant instances of non-compliance and compliance risks that are identified and reported by management in relation to compliance matters.

#### vi. Insurances

Review insurance and other risk transference arrangements and consider whether appropriate coverage is in place and make recommendations to the Board.

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## **vii. Other**

- a. Review and monitor the propriety of related party transactions.
- b. Review the Disclosures Policy and monitor compliance with the procedures that support the policy including the reporting and investigating of reports of unlawful and unethical practices.
- c. Conduct or authorise investigations into any matters within the Committee's Charter.
- d. Perform other functions referred to the Committee by the Board.

In fulfilling its responsibilities, the Committee will:

- i. Ensure it has sufficient information for informed decision-making.
- ii. Meet with the external auditor at least twice a year or more frequently if necessary. In addition, meet separately with the external auditor at least twice a year without the presence of management.
- iii. Agree an annual work plan of the Committee.
- iv. Have authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

## **INDEPENDENT EXTERNAL ADVICE**

- i. The Committee may engage and/or terminate, at the expense of the Group, any independent external adviser in relation to any Committee matter, as it determines is required to assist it in the full performance of its functions. Such advice should be coordinated with the CEO.
- ii. The Committee may seek information directly from any employee or external party, including the External Auditors which should be coordinated with the CEO.
- iii. Other than in exceptional circumstances, the external auditors shall be rotated every 5 years or more frequently if the Committee considers it desirable to maintain the external auditors' independence.
- iv. In addition to meeting with the Committee regularly, the external auditors have an unrestricted right to discuss any issues they deem necessary with the Chair of the Risk & Audit Committee or, if deemed appropriate by the external auditors, with the Chairman of the Board.
- v. The external auditor is required to attend the Group's Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

## **6. FREQUENCY OF MEETINGS**

- i. The Committee will meet at least 2 times each year, prior to Board meetings. It will also meet at such additional times as the Committee Chair or any member of the Committee may request and deem necessary to fulfill their role.
- ii. Any Committee member may convene a meeting of the Committee or request the Secretary of the Committee to do so, provided the Chair and Secretary have been given reasonable prior notice.

## **7. ATTENDANCE**

- i. Any other non-executive director of the Board has a standing invitation to attend and participate in meetings.
- ii. The appointed external auditor has a standing invitation to attend and participate in meetings.
- iii. The CEO and the CFO will have a standing invitation to attend each Committee meeting, subject to exclusion as deemed appropriate by the Committee Chair from time to time.
- iv. Other executives and external specialists may be invited by the Chair of the Committee to attend part or all of any meeting.
- v. The Committee may ask management to present at Committee meetings on issues relevant to the Committee's duties and responsibilities.

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## 8. MEETINGS

- i. Reasonable notice of meetings and the business to be conducted will be given to members, along with briefing materials.
- ii. The Committee Chair shall review the agenda for each meeting prior to its issue.
- iii. Any Committee member may require business to be included in the agenda, provided the Chair and Secretary have been given reasonable prior notice of that business.
- iv. Meetings of the Committee will be conducted in accordance with those provisions of the Company's Constitution which relate to the proceedings of meetings, to the extent not inconsistent with this Charter.

## 9. SECRETARY

The Secretary to the Board will also act as Secretary to the Committee.

## 10. MINUTES

- i. Minutes of meetings of the Committee shall be promptly prepared by the Secretary, approved by the Committee Chair in draft and circulated to all members of the Committee and to the Board.
- ii. Minutes of meetings of the Committee shall be confirmed at the next meeting of the Committee and then signed by the Committee Chair.
- iii. All minutes of the Committee will be entered into a minute book in compliance with applicable legislation and regulatory requirements.

## 11. REPORTING

The Committee will provide the following reporting to the Board:

- i. The Committee Chair will provide a report on the actions of the Committee to the Board at the first meeting of the Board directly following the meeting of the Committee.
- ii. The report shall include any material matters arising from the Committee meeting and any recommendations requiring Board approval and/or action.
- iii. Material risk reports, which include financial risks as overseen by the Risk & Audit Committee.
- iv. The Committee shall recommend to the Board, acceptance of significant Group risk management strategies that are required to reduce material risks to within the Group's risk tolerance.
- v. Copies of Committee papers and reports, together with minutes of each Committee meeting will be circulated to all Board members.

## 12. ANNUAL REVIEW

- i. The Board will conduct an annual review of its performance and effectiveness by reference to this Charter and current best practice. Every 3 years, consideration should be given to whether this performance review should be conducted by an independent party.
- ii. This review process will include a review of the appropriateness of the terms of this Charter for current circumstances.
- iii. Where necessary, the Committee may, by resolution, alter the responsibilities, functions or membership of the Committee and recommend to the Board the formal adoption of the revised Charter for future operations of the Committee.

END DOCUMENT

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