

No.: 002/2022/BC.ĐHĐCĐ

Cantho, 25<sup>th</sup> February 2022**REPORT OF THE AUDIT COMMITTEE IN 2021****Kind Attn to: THE GENERAL MEETING OF SHAREHOLDERS OF DHG PHARMA**

- Pursuant to Enterprise Law No.59/2020/QH14 dated 17 Jun 2020;
- Pursuant to the Charter of DHG Pharmaceutical Joint Stock Company (DHG Pharma) issued on 19 Apr 2021;
- Pursuant to the operational regulation and working programs of the Audit Committee,

The Audit Committee (AC) would like to report to the General Meeting of Shareholders the monitoring results and performances in 2021 as follows:

**I. Organizational structure and performances of the AC in 2021****1. Participants and structure of the AC:**

AC is under the Board of Directors (BOD) of DHG Pharma that consists of 3 members.

No.	Full name	Position	Title	Starting/ Ending date
1	Mr. Do Le Hung	Independent BOD member	AC Chairman	Start from 11 Jun 2019
2	Mrs. Dang Thi Thu Ha	BOD Chairwoman	Member	Start from 11 Jun 2019
3	Mr. Maki Kamijo	Non-Executive BOD Member	Member	Start from 11 Jun 2019

**2. Operation mechanism of the AC**

Pursuant to the provisions of current law (Enterprise Law 2020, Securities Law 2019, Decree 155 guiding the Securities Law, Circular 116 guiding the Enterprise Law 2020 and Decree 155), the BOD approved a new update of the AC's operational regulation in accordance with the Company's Charter.

**3. Meetings of the AC and members' participation**

No.	AC members	Meeting attendance	Rate	Reasons for absence
1	Mr. Do Le Hung	5/5	100%	N/A
2	Ms. Dang Thi Thu Ha	5/5	100%	N/A
3	Mr. Maki Kamijo	5/5	100%	N/A

#### **4. Remuneration and operating expenses of AC in 2021**

- AC remuneration in 2021: The remuneration of the AC members is detailed in the report on the BOD activities (Part II. Performance and remuneration of the BOD in 2021). In addition to this remuneration, AC members do not receive any other benefits or remuneration.
- Operating expenses of AC in 2021: comply with the provisions and internal regulations of DHG Pharma.

#### **5. AC's monitoring results towards the BOD, the Board of Management (BOM)**

The AC supervised by directly monitoring the BOD's activities via meetings, discussions, methods of issuing the BOD's resolutions, and simultaneously supervising the BOM's performances via the compliance with the BOD's Resolutions and the decentralization mechanism between the BOD and the General Director.

AC's supervision activities are implemented in various ways through reporting channels and communication with the Finance Director, Chief Accountant, Internal Audit (IA) Manager, Internal Control (IC) and Risk Management (RM) Manager, Legal Department Manager, and Independent Auditor.

AC always coordinates well with members of the BOD, BOM, and related managers within the framework of its monitoring, and AC always receives cooperation from the BOM.

AC periodically reports its monitoring results to the BOD.

## **II. Monitoring results of AC**

### **1. Implementation situation of the BOD Resolutions:**

All critical issues were discussed openly and democratically in the BOD meetings. At the BOD meetings, the General Director, and key managers in charge of professional fields were invited to report, discuss, etc. Therefore, the issues were evaluated, discussed thoroughly and carefully to reach a unified decision before issuing the Resolutions.

The BOM always closely followed and strictly implemented the issued BOD Resolutions.

The Company Secretariat Team performed well in monitoring, urging the implementation, and reporting on the implementation of the BOD Resolutions.

### **2. Implementation of the AC Resolutions:**

AC Resolutions after promulgation were sent to the BOM and related persons for implementation. Monitoring results showed that the recommendations and requirements of the AC mentioned in the Resolutions were implemented strictly, fully, and timely.

### **3. Financial statements and the accounting system:**

AC noted and approved the audited financial statements FY2021. Accordingly, the financial statements FY2021 were prepared and presented in accordance with the Vietnam Accounting Standards (VAS), and no material misstatement that could affect the truthfulness of the financial statements were found.

The monitoring process did not detect unusual fluctuations in material items of assets and business results. Accounting policies and the principles of determining accounting estimates were applied consistently, and no material changes were recognized.

Transactions with related parties were strictly controlled and complied with the provisions of the law and the Charter, the Company's regulations on control of related party transactions. No problems found.

Questions and requests from the AC were answered and clarified by the BOM and the Independent Auditor.

Some recommendations on improving the IC system from the Independent Auditor were recognized and planned for implementation by the BOM.

### **4. IC and RM System:**

The Company has been maintaining an effective RM and IC framework, including the issued policy and procedures of RM and IC.

The AC assessed that RM activities and improvement of the IC system were implemented thoughtfully and effectively. Therefore, the AC could identify promptly, assess appropriately, and take proper actions to deal with risks.

In 2021, the AC recognized the Company's efforts in perfecting and improving the effectiveness of RM and IC, including the issuance and application of operational processes and regulations. These include RM Policy and Process, Conflicts of Interest Policy, Whistleblowing Policy and Process, IT Management Policy and Processes, IC regulation, etc.

In terms of implementation organization, besides training, communicating, updating, checking, and monitoring the implementation of regulations and operating processes, the Company implemented and updated the Risk portfolio of the entire Company and its units and fields. The Company also implemented activities within the framework of the Business Continuity Plan (BCP), etc. This is a common basis for all departments and units to organize effective RM and IC. Thereby, RM reports are prepared periodically or irregularly depending on the arising risk level.

In 2021, the Company also implemented a comprehensive assessment on the IC system in accordance with J-SOX standard (Sarbanes-Oxley Act - Japan) requested and supported by the parent company - Taisho Group.

As for the Covid-19 risk, the Company is still closely monitoring and applying effective preventive measures.

## **5. Internal Audit:**

IA plays an essential position and role in the corporate governance system. It has been designed, organized, and implemented in accordance with provisions of law, good and common practices.

IA Department completed the assigned audit task in 2021, and it was consistent with the approved annual IA plan.

In 2021, IA carried out remote audits due to social distancing requirements. Although this was a new audit method, there were still several confusions, but IA still tried to ensure the required audit quality.

Audit recommendations and implementation plans were monitored regularly and periodically. This contributed to improving the quality of the IC system, raising the compliance consciousness of the audited units and departments, and supporting to improve business processes, optimize management.

AC recommends that the Company should perfect the IA management personnel apparatus soon so that it can meet higher audit requirements of the BOM.

## **6. Compliance and professional ethics:**

### Legal compliance

DHG Pharma owns a specialized legal apparatus to support legal issues for departments, monitor and regularly update legal provisions in corporate management and pharmaceutical business. Simultaneously, Legal Department also assesses legal risks from policy factors to specific applications at the Company, enabling them to ensure that DHG Pharma fully complies with law provisions.

### Professional ethics compliance

The Company established a monitoring system and mechanism for professional ethics compliance, including the operation of the Compliance Monitoring Council and a hotline to receive information and denounce violations.

Professional ethics compliance has improved significantly compared to the previous year. The number of violations and the level of violations has tended to decrease. No severe cases have been reported. This is also the implementation result of the project "Strengthening the IC system" from 2020 and especially the BOM efforts in communication, employee education, the strictness and decisiveness of the BOM in handling cases.

## **7. Evaluation on results and quality of Independent Auditor:**

The AC evaluated that Deloitte successfully fulfilled its tasks, entirely performed its obligations under the audit contract signed with DHG Pharma. Deloitte also met AC's expectations on major criteria such as reliability assurance, truthfulness, and quality of the audited financial statements; compliance with audit deadlines as

prescribed; compliance with professional regulations, independence, and objectivity assurance when giving audit opinions.

In addition, the AC recognized the contribution of the Independent Auditor in improving the Company's IC system. Independent Auditor responded to the AC requests promptly, adequately, and clearly.

Best regards./.

**Recipients:**

- As above;
- Archived: BOD Secretary.

**OBO. AUDIT COMMITTEE  
CHAIRMAN OF AUDIT COMMITTEE**

**Do Le Hung**

[NOTICE: This Convocation Notice is a translation of the Vietnamese language original for convenience purpose only, and in the event of any discrepancy, the Vietnamese language original shall prevail.]