

**REPORT OF AUDIT COMMITTEE IN 2020****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 06 Jul 2020;
- Pursuant to the operational regulation and working programs of Audit Committee,

Audit Committee (AC) would like to report to the General Meeting of Shareholders the monitoring results and performances in 2020 as follows:

**I. Organizational structure and performances of the AC in 2020****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	Do Le Hung	Independent BOD member	AC Head	Start from 11 Jun 2019
2	Dang Thi Thu Ha	BOD Chairwoman	Member	Start from 11 Jun 2019
3	Maki Kamijo	Non-Executive BOD Member	Member	Start from 11 Jun 2019

**2. AC's monitoring results towards the BOD, the Board of Management (BOM), and shareholders**

AC monitored by

- Directly monitoring the BOD's activities via meetings, discussions, and method of issuing the BOD's resolutions.
- Supervising the BOM's performances via the compliance with the BOD's resolutions as well as the decentralization mechanism between the BOD and the General Director.
- Directly contacting with BOM members to understand the production and business situation of the Company.
- Monitoring through the reporting channel and communication with the Finance Director, Chief Accountant, Internal Audit Manager, Internal Control and Risk Management Manager, Legal Department Manager, etc.
- Supervising through the reporting channel and contact with the independent auditor.

### **3. Coordination among AC, BOD, Executive BOM, and other managers:**

- AC always coordinates well with members of the BOD, BOM, and related managers within the framework of its monitoring.
- The BOM always creates favorable conditions and promptly responds to AC's monitoring requests.
- AC periodically reports its monitoring results to the BOD.

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

### **1. Financial statements and the accounting system**

- AC notes and approves the audited Financial Statements FY 2020. Accordingly, the Financial Statements FY 2020 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. Specifically:
  - No unusual fluctuations in sales and profit
  - No special material transaction
  - No notable transactions with related parties
  - No change in accounting policies or accounting estimates
  - Non-material frauds
- AC notes findings and recommendations of the independent auditor in the Management Letter as well as the BOM's responses. The BOM is requested to unify the detailed action plan for recommendations with the independent auditor.
- AC notes the BOM's efforts in strengthening the internal control system in general and debt management in particular.
- AC notes that the BOM completed the research, preparation, and official issuance of DHG Pharma's Accounting Handbook along with trainings and guidances to relevant staff. This is the basic necessary condition for the accounting and financial reporting to be reliable and comply with the current accounting standards.

### **2. Internal Control and Risk Management System**

- AC monitors the internal control (IC) system and the risk management (RM) system through direct reports, meetings, and interviews with the Internal Audit Department, IC&RM Department, the independent auditor, and DHG Pharma's functional departments.
- The Company continues to maintain and develop risk management methods, policies, processes, and frameworks in order to be able to promptly identify, appropriately assess and take appropriate risk-handling actions.

- The internal control system is always prioritized to be completed for effective control and risk minimization in production and business activities.
- In 2020, in addition to risk management activities and IC system maintenance were systematically carried out, 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.
- In addition, AC highly appreciated the BOM's efforts in successfully implementing the project "Strengthening the IC system" with Deloitte's consultation.
- As for the COVID-19 risk, the Company is still closely monitoring and applying effective preventive measures not only for production and business activities but also for the safety and health of its employees.
- AC recommends that the Company continues maintaining the IC and RM framework as well as related activities in 2021. Simultaneously, the Company monitors and evaluates implementation results of the "Strengthening the IC system" project mentioned above.

### **3. Internal Audit:**

The coordination between the General Director and AC in managing the internal audit (IA) function has gradually helped the IA Department well-promote their roles not only in complying with requirements but also in assisting departments to optimize management and improve IC and RM. IA's highlights over the past year can be seen as below:

- The IA Regulation has been updated in accordance with the guidance of the Ministry of Finance.
- IA has completed its 2020 assigned tasks that are consistent with the revised IA Plan (in 2020, the IA Plan had to be revised to assist the "Strengthening the IC System" project).
- The Control self-assessment (CSA) activities implemented by IA Department in collaboration with departments and branches met the initial expectation. Although it is the first time the CSA is implemented, IA Department made efforts to seriously and effectively study, create and implement as recommended by AC.
- Auditing recommendations and implementation plans are regularly and periodically monitored, contributing to improving the quality of the IC system, raising awareness of compliance of audited units, as well as simultaneously improving business processes and optimizing management.
- To further promote IA's roles, AC agreed with the BOM to reorganize the IA, IC and RM apparatus, that takes effect from 01 Jan 2021. The re-organization separates this unit into 2 departments, including IA Department and IC and RM Department (in terms of functions, duties, and personnel).

#### 4. Compliance and professional ethics

➤ Legal compliance:

- DHG Pharma owns a specialized legal apparatus. In addition to supporting legal issues for departments, Legal Department also monitors and regularly updates legal provisions in corporate management, production, and business in general as well as pharmaceutical business in particular. Legal Department also assesses legal risks from policy factors to specific applications at the Company, which enable them to ensure DHG Pharma fully complies with provisions of law.

➤ Professional ethics compliance

- The Compliance Monitoring Council is chaired by the General Director, whose main task is to monitor the compliance of internal regulations at the Company, including the regulations on conduct, professional ethics, fraud, and corruption prevention. Basing on the monitoring results, the Compliance Monitoring Council is responsible for organizing and implementing effective preventive and remedial measures.
- The Compliance Monitoring Council sets up a hotline to receive denouncement for non-compliance. This hotline is managed by the IA Manager.
- AC assesses that the compliance on internal regulations, professional ethics, and codes of conduct at DHG Pharma is still one of the key risks and needs to be paid attention to take appropriate actions and measures.

#### 5. Independent auditor

- AC evaluates that the proposal and implementation of the 2020 audit plan prepared by the independent auditor - Deloitte is in line with DHG Pharma's requirements in terms of scope, object, method, time as well as quality assurance, independence, and no conflict of interests.
- As for the implementation of the audit contract and plan in 2020, Deloitte completes and meets the expectation of AC on all 3 criteria: Truthfulness of the audited report, timeline satisfaction, and contribution to improve the IC system.

Best regards./.

Recipients:

- As above;
- Archived: BOD Secretary.

**OBO. AUDIT COMMITTEE  
HEAD 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.]