



UMEDIC GROUP BERHAD

[COMPANY NO.: 202101015347 (1415647-D)]

(Incorporated in Malaysia)

**AUDIT AND RISK MANAGEMENT COMMITTEE
TERMS OF REFERENCE**

1. APPOINTMENT/COMPOSITION

- 1.1 The members of the Audit and Risk Management Committee (“Audit and Risk Management Committee” or “Committee”) shall be appointed by the Board of Directors (“Board”) and the chairman of the Board shall not be a member of the Committee.
- 1.2 The Committee shall consist of not less than three (3) members, comprises exclusively Non-Executive Directors and financially literate, a majority of whom are Independent Directors.
- 1.3 At least one (1) member of the Committee:
 - (i) Must be a member of the Malaysian Institute of Accountants; or
 - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years’ working experience and
 - he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or
 - he must be a member of one (1) of the associations of accountants specified in Part II of the First Schedule of the Accountants Act, 1967; or
 - (iii) fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.
- 1.4 No Alternate Director shall be appointed as a member of the Committee.
- 1.5 No former audit partner shall be appointed as a member of the Committee before observing a cooling-off period of at least 3 years.
- 1.6 The Chairman of the Committee shall be appointed by the members of the Committee among their number who is an Independent Director.
- 1.7 The Board shall, within three (3) months of a vacancy occurring in the Committee which result in the number of members reduced to below three (3), appoint such number of new members as may be required to make up the minimum number of three (3) members.

2. MEETINGS

- 2.1 Meetings shall be held not less than four (4) times in a year. In addition, the Chairman of the Committee may call a meeting of the Committee if a request is made by any Committee members, the Company’s Executive Chairman/Chief Executive Officer or the internal or external auditors if they consider it necessary.
- 2.2 Meeting will be attended by the members of the Committee and the Company Secretary or the representative of the Secretary shall act as the secretary of the Committee.
- 2.3 Participants may be invited from time to time to attend the meeting depending on the nature of the subject under review. These participants may include the Directors, General Managers, Divisions Heads, representatives from the Finance and Internal Audit Departments and

external auditors. The head of finance, the head of internal audit and a representative of the external auditors should normally attend meetings.

- 2.4 The quorum of the Committee meeting shall be two (2) members both of whom shall be Independent Directors.
- 2.5 The Chairman of the Committee should engage on a continuous basis with the senior management, such as the Executive Chairman, the Chief Executive Office, the Head of Finance, the Head of the Internal Audit and the External Auditors in order to be kept informed of matters affecting the Company.
- 2.6 The Committee should meet with the external auditors without the presence of executive board members at least twice a year.
- 2.7 A member of the Committee may participate in a meeting by means of a telephone conference or video conference or any other means of audio-visual communications and the person shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly.
- 2.8 Questions arising at any meeting of the Committee shall be decided by a majority of votes of the members present, and in the case of equality of votes, the Chairman of the Committee shall have a second or casting vote. However, at meetings where two (2) members are present or when only two (2) members are competent to vote on an issue, the Chairman shall not have a second or casting vote. All conflicting views shall be submitted to the Board for its final decision. Any member who has an interest in any matters being reviewed or considered shall abstain from voting on the matter.
- 2.9 A circular resolution in writing signed by a majority of the members of the Committee, shall be valid and effectual as if it had been passed at a meeting of the Committee duly convened. Any such resolution may consist of several documents in like form, each signed by one (1) or more members of the Committee and shall include signed copies via legible facsimile transmission or other written electronic means.

3. AUTHORITY

- 3.1 The Committee is authorised by the Board to carry out the duties mentioned below and the Board and the Management shall give all assistance that is necessary to enable the Committee to discharge its duties.
- 3.2 The Committee shall, whenever necessary and reasonable for the performance of its duties and in accordance with a procedure to be determined by the Board and at the Company's cost:
 - (a) have authority to investigate any matter within its terms of reference;
 - (b) have the resources which are required to perform its duties;
 - (c) have full and unrestricted access to any information pertaining to the Company;
 - (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);
 - (e) be able to obtain independent professional or other advice; and

- (f) be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the company, whenever deemed necessary.

3.3 The Head of Internal Audit shall report directly to the Committee.

4. FUNCTIONS AND RESPONSIBILITIES

The functions and responsibilities of the Committee shall include the following:

4.1 Internal Audit

- (a) To review and report to the Board the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work.
- (b) To review the internal audit plan, processes, the results of the internal audit assessments, investigation undertaken and whether or not appropriate action is taken by management on the recommendations.
- (c) To review any appraisal or assessment of the performance of members of the internal audit function.
- (d) To approve any appointment or termination of senior staff members of the internal audit function, if the internal audit function is performed in-house.
- (e) To take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reason for resigning, if the internal audit function is performed in-house.
- (f) To ensure the person responsible for the internal audit reports directly to the Committee.

4.2 External Audit

- (a) To review with the external auditors, the audit report, the nature and scope of their audit plan and report the same to the Board.
- (b) To review with the external auditors, their audit report and evaluation of accounting policies and systems of internal controls and report the same to the Board.
- (c) To review internal audit findings and the management's responses or action plans, including the status of the previous audit recommendations.
- (d) To review the assistance given by employees of the Group to the external Auditors.
- (e) To review and report the same to the Board any letter of resignation from the external Auditors of the Company as well as whether there is any reason (supported by grounds) to believe that the Company's external Auditors are not suitable for re-appointment.

- (f) To make recommendations concerning the appointment of the external auditors and their remuneration to the Board.
- (g) To review the non-audit fees paid or payable to the external auditors, or a firm or corporation affiliated to the external auditors' firm.
- (h) To assess the suitability, objectivity and independence of the external auditor, taking into consideration: -
 - (i) the competence, audit quality and resource capacity of the external auditor in relation to the audit;
 - (ii) the nature and extent of the non-audit fees rendered and the appropriateness of the level of fees; and
 - (iii) obtaining assurance from the external auditors confirming that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the term of all relevant profession and regulatory requirements.

4.3 Audit Reports

The reports of the Committee and the external and internal auditors and corrective action taken shall be tabled for discussion by the Board of Directors.

4.4 Financial Reporting

To review quarterly results and year-end financial statements prior to the approval of the Board, focusing particularly on:

- (a) changes in or implementation of major accounting policy changes;
- (b) significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions, and how these matters addressed; and
- (c) compliance with accounting standards and other legal requirements

4.5 Related Party Transaction and Conflict of Interest

To review related party transactions and conflict of interest situations that arise, persist or may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity and the measures taken to resolve, eliminate or mitigate such conflicts.

4.6 Allocation of Options

To review and verify the allocation of options to employees under employees share option scheme.

4.7 Risk Management

- (a) To determine that there is a robust process in place for identifying, managing, and monitoring critical risks; oversee execution of that process; and ensure it is continuously improved as the business environment changes;
- (b) To provide timely input to management on critical risk issues;
- (c) To engage management in an ongoing risk appetite dialogue as conditions and circumstances change and new opportunities arise;
- (d) To oversee the conduct, and review the results, of company-wide risk assessments, including the identification and reporting of critical risks;
- (e) To oversee the management of certain risks, with regard to the complexity and significance of these risk exposures;
- (f) To provide advice to the Board on risk strategies and coordinate the activities of the various standing board committees for risk oversight.
- (g) To promote a healthy risk culture and watch for dysfunctional behaviour that could undermine the effectiveness of the risk management process (e.g. excessive risk-taking due to misaligned key performance indicators and remuneration schemes).
- (h) To review the Company's internal control and risk management framework, strategic, policies, processes, responsibilities and actions;
- (i) To identify, assess and monitor the key business risk and management's action plan and assess whether risks are managed adequately and effectively;
- (j) To conduct an annual review and periodic testing of the Company's internal control and risk management framework and make necessary changes to the framework arising from the review;
- (k) To solicit feedback on the adequacy and effectiveness of risk management and internal control from the Executive Director, management, internal auditors and external auditors at least annually; and
- (l) To review and ensure that risk disclosure in the annual report are made in compliance with the provisions of the authority.

4.8 Listing Requirements

To report any breach of listing requirements, which have not been satisfactory resolved to Bursa Malaysia Securities Berhad.

4.9 Other Matters

- (a) To ensure the inclusion of corruption risk as one of the risks assessed in the Group's risk register.
- (b) To review the Anti-Bribery & Corruption Policy and Whistleblowing Policy at least once every 3 years and to make recommendations to the Board thereon.

- (c) To consider other topics as defined by the Board.

5. MINUTES

- 5.1 The Secretary shall maintain minutes of the proceedings of the meetings and circulate such minutes to all members of the Committee and to the Board members.

6. AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The Committee shall ensure that an audit and risk management committee report is prepared at the end of each financial year that complies with subparagraph (6.1) and (6.2) below:

- 6.1 The audit and risk management committee report shall be clearly set out in the annual report of the Company;

- 6.2 The audit and risk management committee report shall include the following:

- (a) the composition of the Committee, including the name, designation (indicating the Chairman) and directorship of the members (indicating whether the Directors are independent or otherwise);
- (b) the number of Committee meetings held during the financial year end and details of attendance of each member;
- (c) a summary of the work of the Committee in the discharge of its functions and duties for that financial year of the Company and how it has met its responsibilities; and
- (d) a summary of the work of the internal audit function.

7. CONTINUOUS PROFESSIONAL DEVELOPMENT

- 7.1 The Committee members shall undertake continuous professional development training to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.