



**SOUTH MALAYSIA INDUSTRIES BERHAD  
(Co. No. 196901000152 (8482-D))**

**TERMS OF REFERENCE OF  
THE RISK MANAGEMENT COMMITTEE**

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The Risk Management Committee (“RMC”) of South Malaysia Industries Berhad and its Group of Companies shall be governed by the following terms of reference:

**1. OBJECTIVES**

1.1 The Committee is established with the objective of assisting the Board in the Board’s execution of its duties and responsibilities pertaining to:

- (a) Risk Management (i.e., reviewing and recommending the risk management framework (policies and strategies) for the group in managing the overall risk exposure of the Group);
- (b) Sustainability (i.e., reviewing and recommending sustainability strategies and performance in advancing the Group’s sustainability ambition and direction); and
- (c) Such other functions as directed by the Board.

**2. COMPOSITION**

- 2.1 The RMC shall be appointed by the Board and shall comprise at least five (5) members, which includes two (2) members of the Board and Group Division/Department Heads.
- 2.2 The Committee shall, amongst themselves, elect a Chairman to be the Chairman of the Committee.
- 2.3 The RMC shall have a mixture of expertise and experience especially in the industry in which the group operates.

**3. AUTHORITY & SCOPE**

- 3.1 The RMC shall be delegated with the authority from the Board in carrying out its objectives set out in section 1 herein.
- 3.2 The RMC is authorized by the Board to investigate any activity within its terms of reference. It has free access to all information and documents it requires for the purpose of discharging its functions and responsibilities.
- 3.3 In doing so, it shall with the endorsement of the Audit Committee call on the Internal Auditor to conduct, identify and review risk management activities undertaken by the Group.

#### **4 TERMS OF MEMBERSHIP**

- 4.1 The term of office and performance of the RMC and each of its members shall be reviewed by the Board at least once every three (3) years or as and when necessary to determine if the RMC have carried out their duties in accordance with the terms of reference.
- 4.2 Members will be eligible for reappointment at the end of the three (3) year period, subject to the Board's review of the performance of the members.
- 4.3 Members may relinquish their membership with prior written notice to the Company Secretary.
- 4.4 In the event that there are vacancies resulting in the members falling below five (5), the vacancy is to be filled within three (3) months.

#### **5 MEETINGS**

- 5.1 The RMC shall meet at least four (4) times in a financial year.
- 5.2 The Chairman of the RMC will highlight any major issues and any items requiring resolution by the Board.
- 5.3 In the absence of the Chairman, the Committee shall appoint the next Director to chair the meeting.
- 5.4 A quorum of any meeting of the RMC shall consist of not less than three (3) members.

#### **6 ATTENDANCE AT MEETINGS**

- 6.1 The Committee may, as and when deemed necessary, invite other Board members or Senior Management of the group or any other person, to attend the meeting.

## **7 SECRETARY TO THE RMC**

- 7.1 The Secretary of the Committee shall be the company secretary.
- 7.2 The Secretary shall be responsible for drawing up the agenda in consultation with the Chairman and shall be responsible for keeping the minutes of the meetings of the Committee and circulating them to the committee members. The Agenda together with relevant explanatory papers and documents shall be circulated to the Committee members prior to each meeting.

## **8. DUTIES AND RESPONSIBILITIES**

The duties and responsibilities of the RMC shall be :

- 8.1 Set the procedures and oversee the Risk Management Policies in particular the processes and compliance;
- 8.2 Review and assess the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively;
- 8.3 Identify new risks in the evolving market which would encapsulate regulatory and business development areas;
- 8.4 Ensure adequate infrastructure, resources and systems are in place for an effective risk management i.e. ensuring that the staff responsible for implementing risk management systems perform those duties independently of the insurer's risk taking activities;
- 8.5 Review the management's periodic reports on risk exposure, risk portfolio composition and risk management activities;
- 8.6 Review issues relating to sustainability arising from independent audits as well as matters highlighted by consultants, if any;
- 8.7 Consider and recommend to the Board relevant emerging sustainability issues, if any;
- 8.8 Review and assess any new business venture/projects of the Group; and

8.9 Any such other matters as directed by the Board.

## **9 POLICY**

- 9.1 To adopt a proactive and effective approach in managing its business risks in a rapidly changing business environment.
- 9.2 To comply with the relevant guidelines in the Malaysian Code on Corporate Governance and all applicable Malaysian laws in relation to risks.
- 9.3 To promote an effective risk awareness culture whereby risk management is recognized as an important aspect of the Group Management System.
- 9.4 To provide adequate infrastructure, resources and systems for effective risk management.
- 9.5 To maintain a high standard of service to the Company's clients at all times.
- 9.6 To preserve the safety, health and welfare of its employees.
- 9.7 To ensure financial stability as well as sustainability and to protect the interest of all its stakeholders.

The terms of reference shall be reviewed by the RMC as and when required. All amendments to the terms of reference must be approved by the Board.

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