





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

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## 1. KEY OBJECTIVES

The Risk Management Committee (“**RM C**”) was established on 20 February 2017 as a committee of the Board of Directors (“**Board**”) of Gabungan AQRs Berhad (“**Company**”) to oversee the risk management activities of the Company’s group of companies (“**Group**”) and then was renamed to Risk Management & Sustainability Committee (“**RMSC**”) on 19 January 2022. It supports the Board in fulfilling its responsibility for identifying significant risks and ensuring the implementation of appropriate systems to manage the overall risk exposure of the Group and to attend any related sustainability matters that arise in the business and operational activities of the Group’s construction, property and manufacturing divisions. The RMSC’s primary objectives are as follows:-

- 1.1 To review and recommend the Group risk management policies and strategies for the Board’s approval. This includes reviewing major investment business and assessing the key associated risks, including funding options and costs, and investment returns prior to the Board’s approval;
- 1.2 Reviewing the effectiveness of the risk management framework in identifying and managing risks and internal processes which include but not limited to ensuring the adequacy of risk management policy and infrastructure to facilitate the implementation of action plans for risk management; and
- 1.3 Monitoring and overseeing the management and performance of all sustainability strategies and initiatives of the Group.

## 2. COMPOSITION AND APPOINTMENT

- 2.1 The Board shall elect the RMSC members, composing not less than four (4) members and majority of which must be independent directors and approved by the Board.
- 2.2 No alternate Director shall be appointed as a member of the RMSC.
- 2.3 The RMSC members shall have a mixture of expertise and experience, including sufficient understanding of the industries in which the Group operates.
- 2.4 The Chairman of the RMSC shall be an Independent, Non-Executive Director appointed by the Board.

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### 3. CHAIRMAN

In the absence of the Chairman of the RMSC, the members may elect from themselves the Chairman for the meeting.

### 4. SECRETARY OF THE RISK MANAGEMENT & SUSTAINABILITY COMMITTEE


- 4.1 The Company Secretaries of the Company or such substitute as appointed by the Directors from time to time shall act as the secretary of the RMSC during the term of his/her appointment.
- 4.2 The Secretary of the RMSC shall be entrusted to record all proceedings and minutes of all meetings of the RMSC, including the names of those present and in attendance. Meeting minutes shall be approved by the NC at its next meeting.

### 5. AUTHORITY

- 5.1 The RMSC is authorised by the Board and at the expense of the Group to perform the following:-
  - 5.1.1 secure the resources in order to perform its duties as set out in its terms of reference;
  - 5.1.2 have direct communication channels with and unrestricted access to Senior Management including without limitation, its information, records, reports, properties and personnel;
  - 5.1.3 instruct the Management to perform duties as necessary to support the RMSC in discharging its functions and duties; and
  - 5.1.4 obtain external legal or other independent professional advice as necessary.
- 5.2 The RMSC is not authorised to implement its recommendations on behalf of the Board but shall make recommendations to the Board in risk related matters for its consideration and implementation.


### 6. FUNCTIONS AND DUTIES

The main functions and duties of the RMSC shall include, but are not limited to the following:-

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## 6.1 Risk

- a) Provide oversight, direction and counsel to the risk management process which includes the following:-
- establish the an effective Group’s risk management and internal control framework;
  - conduct an annual review and periodic testing of the Group’s risk management framework. This should include insights it has gained from the review and any changes made to its risk management framework from the review.
  - monitor the risks exposures and management of the significant risks identified at Group and divisional levels;
  - evaluate new risks identified including the likelihood of the emerging risks happening in the future and to consider the need to put in place the appropriate controls;
  - review the Group’s risk profile and ensure that significant risks that are outside tolerable ranges are being responded with appropriate actions taken in a timely manner;
  - review the status of the implementation of management action plans in mitigating significant risks identified; and
  - review the and recommend the Group’s level of risk tolerance and actively identify, assess and monitor key business risks to safeguard shareholders’ investments and the Group’s assets.
- b) Establish and periodically review the Group’s risk management guidelines and policies and ensure implementation of the objectives outlined in the policies and compliance with the same.
- c) Recommend for the Board’s approval the Group’s risk management policies, strategies, key risk indicators and risk tolerance levels, and any proposed changes thereto.
- d) Evaluate the effectiveness of the Group’s risk management structure, risk management processes and support system to identify, assess, monitor and manage the Group’s key risks.
- e) Review all major investment and project business cases in accordance with established thresholds in the approved Group Limits of Authority, focusing on the following:-
- evaluate the risks associated with funding options and costs, and investment returns and make recommendation to the Board for approval of the investment or project;
  - advise the Board on potential risk response strategies needed to be adopted in relation to a decision to proceed with the investment or project;
  - monitor the execution/operationalisation of investments or projects, highlighting key risks to the Board as relevant;
  - review the effectiveness of risk mitigating actions post approval for major investments and

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projects based on risk management assessments, and report the same to the Board;

- review actual financial and operational performance of investments or projects against projected returns (i.e. return on investment, implementation timelines), and report the same to the Board; and
- review investment proposals considered significant including:-
  - new lines of business (defined as businesses outside existing sectors, expansion across industry value chains within current sectors and new franchises); or
  - new territories and countries (defined as expansion of existing businesses into new markets/territories).

f) Review to ensure that the relevant information is disclosed in the statement on risk management and internal control in the Company's Annual Report.

## 6.2 Sustainability

- a) Reviewing the adequacy of sustainability initiatives and processes of the Group;
- b) Reviewing and ensuring the adequacy and effectiveness of the Group's sustainability policy;
- c) Monitoring the implementation and performance of sustainability strategies, policies and initiatives, including action plans and key performance indicators, as approved by the Board; and
- d) Advising the Board on the Group's sustainability strategy and recommend policies for adoption.


In discharging its duties, the RMSC shall at all times be mindful of the Listing Requirement of Bursa Malaysia Securities Berhad, MCCG 2021, Sustainability Policy of the Company and all applicable laws, regulations and guidelines including any amendments thereto.

## 7. PROCEDURE OF RMSC MEETINGS

### 7.1 Frequency of Meetings

7.1.1 The RMSC shall meet no less two (2) times in a financial year, or when required by RMSC Chairman or any RMSC member. Additional meetings shall be scheduled as and when considered necessary by the Chairman of the RMSC.

7.1.2 Head of the respective Division units for Risk Management team shall attend meetings of the RMSC as a permanent invitee. Other members of the Management may attend the meetings by invitation of the RMSC.

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## 7.2 Notice and Agenda

- 7.2.1 The Group Company Secretary shall issue and circulate the notice of the RMSC meeting confirming the venue, time and date at least seven (7) days before each meeting to the RMSC members.
- 7.2.2 The agenda for each meeting including relevant documents and information requested by the RMSC shall be circulated before each meeting to the RMSC members.
- 7.2.3 The RMSC meeting agenda shall be the responsibility of the Chairman with input from the RMSC members and the Head of the Risk Management & Sustainability team. The Chairman may also invite other members of the Management and other persons to participate in this process, if necessary.

## 7.3 Quorum


- 5.3.1 The quorum for a meeting of the RMSC shall be two (2) members, one (1) of whom must be an Independent non-Executive Director. In the absence of the Chairman, the members present shall elect a Chairman from amongst them to Chair the meeting.

## 7.4 Meeting Mode

Personal attendance of RMSC at meetings is preferred. But, the RMSC Meeting may be held at two (2) or more venues within or outside Malaysia using any technology by means of telephone conference, video conference or any other form of audio or audio-visual instantaneous communication that enable the RMSC members as a whole to participate for the entire duration of the meeting pursuant to this provision shall constitute presence in person/quorum at such meeting. All resolutions agreed upon by the members of RMSC at such a meeting shall deemed to be as effective as a resolution passed at a meeting in person of the members RMSC duly convened and held. All information and documents for the meeting must be made available to all members prior to or at the meeting. A minute of the proceedings of such meeting is sufficient evidence of the proceedings to which it relates.

## 7.5 Voting

- 7.5.1 All resolutions of the RMSC shall be adopted by a simple majority vote, each member having one vote. In case of equality of votes, the Chairman of the RMSC shall have a second or casting vote.
- 7.5.2 A RMSC member is required to abstain from deliberations and voting in respect of any matter which may give rise to an actual or perceived conflict of interest situation.

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## 7.6 Meeting Minutes

The minutes of the RMSC meeting shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.

## 7.7 Circular Resolution

7.7.1 A resolution in writing signed by a majority of the members of the RMSC shall be valid and effectual as if it had been passed at a meeting of the RMSC.

7.7.2 Such resolution shall be described as “Risk Management Committee & Sustainability Committee Circular Resolution” and shall be recorded by the Secretary in the Minutes Book.

## 7.8 Custody, production and inspection of such minutes

The minutes shall kept by the Company at the Registered Office or the principal place of business in Malaysia of the Company as part of the statutory record of the Company upon confirmation by the Board and a copy shall be distributed to each member of the RMSC; and shall be open to the inspection of any member of the RMSC without charge.

## 8. REVIEW OF THE TERMS OF REFERENCE

The RMSC shall recommend any changes to its Terms of Reference in such manner as the RMSC deems appropriate to the Board for approval. The Terms of Reference shall be assessed, reviewed and updated where necessary i.e. when there are changes to the Malaysian Code on Corporate Governance, Listing Requirements of Bursa Malaysia Securities Berhad or any other regulatory requirements. It should also be reviewed and updated when there are changes to the direction or strategies of the Group that may affect the RMSC’s role.