



RISK MANAGEMENT COMMITTEE

TERMS OF REFERENCE

This Terms of Reference sets out the matters concerning the governance of the Risk Management Committee (“RMC” or the “Committee”).

1. PURPOSE

- 1.1 The purpose of the Risk Management Committee is to assist the Board of Directors (“Board”) in ensuring that there is a sound system for risk management within Chemical Company of Malaysia Berhad (“CCMB” or the “Company”) and its subsidiaries (collectively referred to as the “Group”); and
- 1.2 In the exercise of its functions, it is understood that the RMC is not delegated with decision-making powers but shall report its recommendations to the Board for decision. The existence of the RMC does not diminish the Board’s ultimate statutory and fiduciary responsibility for the decision-making relating to the functions and duties of the Committee.

2. PRINCIPLES

- 2.1 The Group consciously takes measured amount of risks and manages these risks effectively to meet its long-term goals and objectives;
- 2.2 Risk management is an integral part of the Group’s business practice at all levels of the Group; and
- 2.3 The Committee will keep under review the effectiveness of Group’s risk management system, taking into account:
 - (a) the development and maintenance by management of a comprehensive risk management framework;
 - (b) the Group’s culture of risk management (including awareness, education and training for all levels of staff);
 - (c) feedback from the Management, internal auditor and the external auditor on the effectiveness of Risk Management system;

- (d) changes to the divisional risk profiles, arising from the material, financial and non-financial exposures surrounding the divisions and/or any part of the Group; and
- (e) the likelihood, impact and mitigation of significant risk events.

3. COMPOSITION

3.1 Size

- (a) The Committee shall have at least three (3) members.

3.2 Membership

- (a) The Committee shall comprise solely of Non-Executive Directors, with at least one member of the Committee is independent.

3.3 Chairman of the committee

- (a) The Chairman of the Committee shall not be the Chairman of the Board.

3.4 Secretary of the Committee

- (a) The Secretary of the Committee ("Secretary") shall be the Company Secretary.

4. APPOINTMENT OF MEMBERS

- 4.1 The Nomination and Remuneration Committee ("NRC") in consultation with the RMC shall recommend the appointment of RMC members to the Board;

- 4.2 Members shall be appointed based on their ability to devote time, skills and experience relevant to their duties within the RMC; and

- 4.3 The members serving the RMC shall be changed at appropriate and regular intervals. In order to ensure that the entire Committee is not replaced at any one time, such change of members shall be done on a progressive basis.

5. PERFORMANCE EVALUATION

- 5.1 The effectiveness of the RMC (including skills mix and contribution of members) shall be assessed annually by the NRC (*paragraph 15.08A of Main Market Listing Requirements by Bursa Malaysia Securities Berhad and Practice 5.1 of the Malaysian Code on Corporate Governance*). The assessment shall be facilitated using a self and peer rating assessment model and the NRC shall discuss the outcome of the assessment with the Chairman of the RMC.

6. DUTIES

Subject to any resolution of the Board, the duties of the Committee are as follows:

6.1 Risk Management

- 6.1.1 Determine the risk appetite, framework, policies and processes for identifying and managing and/or accept risks beyond the approval discretion provided to the Management. In performing this function, the RMC shall be guided by best practices such as International Organisation for Standardisation 31000:Risk Management;
- 6.1.2 Provide recommendations to the Board on the risk strategy, parameters of the Group's risk-reward trade-off, monitor the alignment of the Group's risk profile with the risk appetite and ensure that the Group maintains an appropriate level and quality of capital in line with the risks inherent in its activities and projected business performance;
- 6.1.3 Monitor changes anticipated for the economic and business environment, including consideration of emerging risks, legislative or regulatory changes, major initiatives and other factors considered relevant to the Group's risk profile and provide report on the same to the Board for overall consideration on the Group's business and operations;
- 6.1.4 Engage Executive Risk Management Committee ("ERMC") and/or Group Risk, Integrity and Audit Department in ongoing risk appetite dialogue and provide timely input to the Group Managing Director and/or the Key Responsible Person(s) as business condition changes and new opportunities arise;
- 6.1.5 Receive, review, scrutinise and provide commentaries on reports from the ERMC and/or the Group Risk, Integrity and Audit Department which have been duly reviewed/deliberated by the ERMC concerning:
 - (a) Risk management policies, strategies, processes and controls, status of the implementation and effectiveness thereof, within the divisions and, if thought fit, approve or vary them;
 - (b) Alignment or integration of risk management activities with other management activities/tools which include formulation of strategies, development of business plans, budgeting, forecasting and performance review, within the divisions; and
 - (c) Identification and management of enterprise risks which could impact the achievement of business objectives.

- 6.1.6 Ascertain if a sound and effective approach has been followed in establishing the Group's business continuity planning arrangements including whether disaster recovery plans and procedures have been tested periodically;
- 6.1.7 Encourage a healthy risk culture and watch for dysfunctional behaviours which may impair the effectiveness of the risk management process; and
- 6.1.8 Co-ordinate activities with other Board Committees on risk oversight to avoid overlaps in the overall risk oversight process.

6.2 Sustainability

- 6.2.1 Direct and oversee the Group's overall Sustainability framework and strategies, in line with the Group's strategic directions and relevant principles, policies and regulations pertaining to sustainability as prescribed by the relevant bodies from time to time.
- 6.2.2 Monitor the implementation and the effectiveness of the Group's approved overall Sustainability framework and strategies including principles and policies.
- 6.2.3 Review, assess and recommend to the Board issues material to the achievement of the sustainability objectives of the Group.
- 6.2.4 Review and recommend to the Board the Sustainability Statement, Sustainability Report and other relevant reports or information to be disclosed by the Group.

7. MEETINGS

7.1 Meeting frequencies and calling of meetings

- (a) The Committee shall meet at least once in every quarter or as frequently as the circumstances dictate; and
- (b) Additional meetings shall be scheduled as considered necessary by the Committee. The Chairman of the Committee shall call for a meeting if requested to do so by the Chairman of the Board or requested by another member of the Committee.

7.2 Quorum and participation

- (a) The quorum for meetings of the Committee shall be two (2) members;
- (b) In the event the Chairman is unable to be present for a meeting, the members who are present at the meeting can appoint a Chairman among themselves to chair the meeting;
- (c) Each individual Committee member shall attend at least 50% of the Committee meetings held during the financial year;
- (d) The Committee may request other Directors, members of Management, counsels or consultants to attend the Committee meetings by invitation if necessary; and
- (e) The meetings shall convene in a face-to-face manner. If a member is unable to be present at the meeting venue, his/her participation through tele/video-conferencing or other appropriate means may be permitted.

7.3 Notice on meetings and information flow

- (a) Notice of a meeting shall be sent to all members in a timely manner, which should include the date, time, venue and the agenda of the meeting (*Paragraph 4- notice on meetings, Third Schedule of Companies Act 2016*);
- (b) The RMC meeting agendas shall be developed by the Chairman of the RMC and the Secretary in consultation with Management; and
- (c) The Chairman together with the Company Secretary shall ensure that sufficient information such as the agenda and accompanying meeting materials for each meeting are circulated at least five (5) business days before each meeting to the Committee members and all those who are invited to attend the meeting (*Guidance on Practice 1.5, Malaysian Code on Corporate Governance*).

7.4 Voting

- (a) A matter put to vote at the Committee meetings shall be decided by a simple majority of the votes cast and in the event of an equality of votes, the Chairman has the casting vote. A member of the Committee who has an interest or is involved directly or indirectly in any matter under consideration by the meeting, shall not participate in the voting process.

7.5 Meeting minutes

- (a) The Committee shall cause minutes to be duly entered in the books provided for the purpose of all resolutions and proceedings of all meetings of the Committee (*Paragraph 13, Third Schedule of Companies Act 2016*);
- (b) The minutes shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting and if so signed, shall be conclusive and contemporaneous evidence without any further proof of the facts thereon stated;
- (c) All members should ensure that the meeting minutes accurately reflect the deliberations and decisions of the Committee, which includes any dissenting comments made (*Guidance to Practice 1.5, Malaysian Code on Corporate Governance*); and
- (d) The reproduction of any parts of the meeting minutes shall only be performed through or by the Secretary.

7.6 Reporting

- (a) The report and confirmed minutes (where available) of each Committee meeting shall be tabled and presented to the Board during the subsequent Board meeting to keep them informed and updated on the key issues deliberated by the Committee.

8. AUTHORITY

8.1 Unless otherwise provided by or subject to any applicable laws or legislative requirements, the Committee shall have the permission to obtain resources needed to fulfil its duties and responsibilities as set out in this Terms of Reference based on an agreed-upon procedure and at the expense of the Group, such as:

- (a) to obtain professional and independent advice from external advisors with relevant knowledge and experience, either through the Group Managing Director or Company Secretary's office, when it is deemed necessary; and
- (b) full and unrestricted access to information concerning the Group.
(*paragraph 15.04 of Main Market Listing Requirements by Bursa Malaysia Securities Berhad*)

9. REVIEW AND AMENDMENT OF THE TERMS OF REFERENCE

- 9.1 This Terms of Reference has been approved by the Board. The Board shall review this Terms of Reference periodically and make amendments when necessary; and
- 9.2 The Secretary shall ensure that the provisions of this Terms of Reference continue to comply with legal requirements and corporate governance enumerations applicable to the Group and, if necessary, shall suggest amendments to the Terms of Reference for consideration by the Board.

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