



## **MELEWAR INDUSTRIAL GROUP BERHAD**

(Reg. No.: 196901000102 (8444-W))  
(Incorporated in Malaysia under the Companies Act, 1965)

### **TERMS OF REFERENCE OF THE RISK AND SUSTAINABILITY COMMITTEE (“RSC”)**

*(Changed the name from Risk and Sustainability Management Committee to  
Risk and Sustainability Committee on 28 August 2018)*

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#### **1. MEMBERSHIP AND COMPOSITION**

- 1.1 The RSC shall be appointed from among the Directors of the Company and approved by the Board (on the recommendation of the Nomination and Remuneration Committee (“NRC”)) and shall consist of not less than three (3) members, of which the majority of them must consist of Independent Directors.
- 1.2 If a member of the RSC ceases to be a member with the result that the number of members is reduced below three, the Board shall, within three (3) months of that event, appoint such number of new member(s) as may be required to make up the minimum number of three (3) members, the majority of whom must be Independent Directors.
- 1.3 The member of the RSC shall elect a Chairperson from among their members who shall be an Independent Non-Executive Director of the Company.
- 1.4 No Alternate Director is to be appointed as a member of the RSC.
- 1.5 The review of the term of office and performance of the RSC and each of its members shall be carried out by the NRC on an annual basis to determine whether the RSC and its members have carried out their duties in accordance with their terms of reference. The review of the performance of the RSC and each of its members is then to be tabled to the Board of Directors for their attention and further action, if and where necessary.

#### **2. PURPOSE**

- 2.1 The RSC is responsible for overseeing the risk management matters as well as the governance of sustainability in the company including setting the company’s sustainability strategies, priorities and targets relating to the activities of the Company and its subsidiaries (the Group). It assists the Board to fulfil its responsibilities with regard to risk governance and risk management in order to manage the overall risk exposure of the Group.

*Cross reference:  
Practice 4.1 of the  
MCCG 2021*

### **3. QUORUM AND PROCEDURE**

- 3.1 The RSC meetings shall be conducted at least four (4) times annually, or more frequently as circumstances dictate.
- 3.2 The RSC may require any employee and a representative of the external auditors to attend meetings. The RSC may, as and when deemed necessary, invite other Board members, senior management personnel and external independent professional advisers to attend the meetings.
- 3.3 The quorum for any meeting of the RSC shall consist of not less than two (2) members; the majority of the members present shall be Independent Directors.
- 3.4 In the absence of the Chairman, the RSC shall appoint one of the independent members present to chair the meeting.
- 3.5 The Secretary of the Company shall also be the Secretary of the RSC shall be appointed by the Chairperson. The Secretary shall be responsible for drawing up the agenda in consultation with the Chairperson and shall be responsible for keeping the minutes of the meeting of the RSC, circulating them to the RSC members. The agenda together with relevant explanatory papers, minutes of meetings and documents shall be circulated to all the members of the RSC and the Board prior to each meeting.
- 3.6 The Chairman of the RSC shall report on each meeting to the Board.
- 3.7 The decision that gained the majority votes shall be the decision of the RSC. In the event of an equality of votes, the Chairman of the RSC shall be entitled to a second or casting vote.

### **4. COMMUNICATION TO THE BOARD**

- 4.1 The minutes of each RSC meeting shall be distributed to each member of the RSC and the Board and tabled to the Board for notation.
- 4.2 The RSC shall from time to time provide the Board with status updates in respect of risk related matters, which warrants the attention of the Board.
- 4.3 The RSC shall report to the Board on key risk issues or decisions made within its purview, for the Board's notation and approval, where necessary.

## **5. CIRCULAR RESOLUTION**

- 5.1 A resolution in writing signed by a majority of all members shall be valid and effectual as if it had been passed at a meeting of the RSC. All such resolutions shall be described as “Members’ Circular Resolutions” and shall be forwarded or otherwise delivered to the Company Secretary without delay and shall be recorded by the Company Secretary in the minutes book. Any such resolution may consist of several documents in the like form, each signed by one (1) or more members. The expressions “in writing” or “signed” include approvals by legible confirmed transmissions by facsimile or other forms of electronic communications.

## **6. AUTHORITY**

- 6.1 The RSC is authorized by the Board of Directors 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.
- 6.2 The RSC is also authorized to obtain legal or other independent professional advice as it considers necessary as well as to appoint Risk Management Sub-Committees.

## **7. DUTIES AND RESPONSIBILITIES**

The Risk and Sustainability RSC is responsible for:

### **7.1 Risk Oversight**

- (a) Determine that there is a robust process in place for identifying, managing and monitoring critical risks and oversee execution of that process;
- (b) review and ensure that the existing controls is continuously improved as the business environment changes as well as reduce the key risk factors of the Company;
- (c) Engage Management in an on-going risk appetite dialogue as conditions and circumstances change and new opportunities arise;
- (d) Oversee the conduct and review the results of Company-wide risk assessments including the identification and reporting of critical risks;
- (e) review and recommend risk management strategies, policies and risk tolerance for the Board’s approval;

- (f) 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;
- (g) 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 Company's risk taking activities;
- (h) review the management's periodic reports on risk exposure, risk portfolio composition and risk management activities;
- (i) review and recommend the Statement on Risk Management which form part of the Statement on Internal Control for approval by the Board;
- (j) Review and assess the impact of cyber risk when undertaking any new activities, including any investment decision, merger and acquisition, adoption of new technology and outsourcing arrangements;
- (k) Review the adequacy of resources allocated for effective management of risk within the Group; and
- (l) Benchmark risk management practices of the Group against international recognised standards.

## 7.2 Sustainability

- (a) review and recommend appropriate sustainability strategies, policies, principles and practices which are applicable to the Company;
- (b) review and keep updated of any new or emerging trends of threats, including cyber threats, sustainability and climate-related risks so as to ensure that management continues to promote risk awareness at all levels with the Groups;
- (c) provide oversight and effectiveness of the Company's sustainability strategies, policies, principles and practices to be aligned with the commitment of the Company towards sustainability;
- (d) advise on the sustainability report and other issues related to sustainability prior to reporting to the Board;
- (e) review any issues/matters relating to sustainability arising and/or highlighted by independent auditors and/or advisors;

- (f) provide assurance to the Board on the quality and technical content of sustainability information used by the Company;
- (g) oversee any concern/allegations raised by stakeholders, involving public sentiments and government regulations;
- (h) provide direction and oversight on the internal sustainability function and sustainability working of the RSC;
- (i) approve the appointment of independent sustainability advisor and assign tasks to them, if necessary;
- (j) ensure proper processes and procedures are in place in accordance to relevant laws, regulations and rules; and
- (k) ensure that the Company's sustainability strategies, priorities and targets as well as performance against those targets are communicated to the internal and external shareholders.

## **8. REPORT TO THE BOARD OF DIRECTORS**

- 8.1 The RSC is not a decision making body and shall report its recommendation to the full Board for decision.