



MGB BERHAD

Registration No.: 200201021504 (589167-W)

RISK MANAGEMENT COMMITTEE TERMS OF REFERENCE

1. PURPOSE

- 1.1 The Risk Management Committee (“RMC”) is established as a committee of the Board of Directors (“Board”) of MGB Berhad (“Company”) to oversee the risk management activities of the Company’s group of companies (“Group”). 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. The RMC’s primary objectives are as follows:-
- 1.1.1 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; and
 - 1.1.2 to monitor the implementation of post-spend transactions in accordance with established thresholds in the approved Authority Chart and Discretion Power, which includes capital expenditure, acquisitions and project-based operational costs.

2. COMPOSITION AND APPOINTMENT

- 2.1 The Board shall elect the RMC members, composing not less than three (3) 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 RMC.
- 2.3 The RMC members shall have a mixture of expertise and experience, including sufficient understanding of the industries in which the Group operates.
- 2.4 The members of the RMC shall elect a Chairman from among their number.

3. AUTHORITY

- 3.1 The RMC is authorised by the Board and at the expense of the Group to perform the following:-
- 3.1.1 secure the resources in order to perform its duties as set out in its terms of reference;
 - 3.1.2 have direct communication channels with and unrestricted access to Senior Management including without limitation, its information, records, reports, properties and personnel;
 - 3.1.3 instruct the Management to perform duties as necessary to support the RMC in discharging its functions and duties; and
 - 3.1.4 obtain external legal or other independent professional advise as necessary.



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- 3.2 The RMC 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.

4. FUNCTIONS AND DUTIES

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

- 4.1 Provide oversight, direction and counsel to the risk management process which includes the following:-
- 4.1.1 establish an effective Group's risk management and internal control framework;
 - 4.1.2 conduct an annual review 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.
 - 4.1.3 monitor the risks exposures and management of the significant risks identified at Group and divisional levels;
 - 4.1.4 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;
 - 4.1.5 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;
 - 4.1.6 review the status of the implementation of management action plans in mitigating significant risks identified; and
 - 4.1.7 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.
- 4.2 Establish and review the Group's risk management guidelines and policies and ensure implementation of the objectives outlined in the policies and compliance with the same.
- 4.3 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.
- 4.4 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.
- 4.5 Review all major investment and project business cases which meet the following requisite threshold:



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- Investment and Divestment : 5% of the net assets of MGB Group; or
- Joint Venture/Turnkey Project: 25% of the net assets of MGB Group,

focusing on the following:-

- 4.5.1 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;
- 4.5.2 advise the Board on potential risk response strategies needed to be adopted in relation to a decision to proceed with the investment or project;
- 4.5.3 monitor the execution/operationalisation of investments or projects, highlighting key risks to the Board as relevant;
- 4.5.4 review the effectiveness of risk mitigating actions post approval for major investments and projects based on risk management assessments, and report the same to the Board;
- 4.5.5 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
- 4.5.6 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).
- 4.6 Review to ensure that the relevant information is disclosed in the statement on risk management and internal control in the Company's Annual Report.

5. MEETINGS

5.1 Frequency

- 5.1.1 The RMC shall meet no less than two (2) times in a financial year, or when required by RMC Chairman or any RMC member. Additional meetings shall be scheduled as and when considered necessary by the Chairman of the RMC.
- 5.1.2 RMC may invite other members of the Management to attend the meetings, if necessary.

5.2 Notice and Agenda



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- 5.2.1 The Company Secretary shall issue and circulate the notice of the RMC meeting confirming the venue, time and date at least seven (7) days before each meeting to the RMC members.
 - 5.2.2 The agenda for each meeting including relevant documents and information requested by the RMC shall be circulated before each meeting to the RMC members.
 - 5.2.3 The RMC meeting agenda shall be the responsibility of the Chairman with input from the RMC members and the Chairman of the Risk Working Group. The Chairman may also invite other members of the Management and other persons to participate in this process, if necessary.
- 5.3 Quorum
- 5.3.1 The quorum for a meeting of the RMC 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.
- 5.4 Meeting Mode
- 5.4.1 A meeting of the RMC shall normally be conducted face-to-face or via telephone conferencing, video conferencing or any communication technology, which allows all members of RMC participating in the meeting to communicate simultaneously with each other, or other appropriate means as determined by the RMC.
 - 5.4.2 A resolution in writing signed by all members in lieu of convening a formal meeting shall be valid and effectual as if it had been passed at a meeting of the Committee duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more members.
- 5.5 Voting
- 5.5.1 All resolutions of the RMC shall be adopted by a simple majority vote, each member having one vote. In case of equality of votes, the Chairman of the RMC shall have a second or casting vote.
 - 5.5.2 A RMC 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.
- 5.6 Meeting Minutes
- 5.6.1 Minutes of each meeting shall be kept at the Registered Office and distributed to each member of the RMC and also to other members of the Board for notation.
 - 5.6.2 The minutes of the RMC 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.
- 5.7 Secretary
- 5.7.1 The Secretary to the RMC shall be the Company Secretary of the Company.



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6. REVIEW OF THE TERMS OF REFERENCE

The RMC shall recommend any changes to its Terms of Reference in such manner as the RMC 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 RMC's role.