

**SERN KOU RESOUACES BERHAD  
(COMPANY NO. 519103-X)**

**TERM OF REFERENCE OF RISK MANAGEMENT COMMITTEE**

**1. Members**

Chairman

- i) Low Peng Sian @ Chua Peng Sian (Managing Director)

Member

- ii) Koh Kun Chuan (Senior Executive Director)  
iii) Dr Tan Chee Huat (Independent Non-Executive Director)

**2. Composition and Membership**

- i) The Risk Management Committee ("RMC") shall be appointed from amongst the Board.  
ii) The RMC shall consist of not less than two (2) members.  
iii) The RMC shall consist at least one third (1/3) non-executive directors.  
iv) The office of a RMC member shall automatically be vacated when he ceased to be a Director of the Company  
v) In the event of any vacancy in the Committee resulting in the non-compliance of the above, the Company must fill the vacancy within three (3) months.  
vi) No alternate director shall be appointed as a member of the RMC.

**3. Chairman**

The Chairman shall be elected by the Committee from amongst their members who is an Executive Director as approved by the Board.

The Chairman shall be responsible for ensuring that the entire Board is kept regularly informed about the RMC's work and, where necessary, must submit matters to the Board for approval.

If the Chairman is not present at a meeting within fifteen (15) minutes after the time appointed for holding the meeting, the members of the Committee may elect one (1) of their numbers to be the chairman of the meeting.

**4. Meeting**

- i) The Committee shall meet at least once a year and hold additional meetings as and when necessary depending on the level of responsibility and complexity of the Group.  
ii) The Members may participate in a meeting by means of conference telephone, conference videophone or any similar or other communications equipment by means of which all persons participating in the meeting can hear each other. Such participation in a meeting shall constitute presence in person at such meeting.

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- iii) The quorum for a meeting shall be two (2) members, one of whom is an Independent Director. The Committee at which a quorum is present is considered to be competent for the exercise of its authorities, powers and discretions vested upon it.
- iv) All decisions at such meeting shall be decided on a show of hands on a majority of votes. The Chairman shall have a casting vote.
- v) The Committee shall have the right to invite other Directors, Management and consultants as applicable to participate in the Committee meetings, as and when necessary, to carry out its responsibilities.
- vi) The Committee may establish procedures from time to time to govern its meetings, keeping of minutes and its administration.
- vii) The Chairman shall report to the Board on its proceedings after each meeting on matters within its duties and responsibilities. The RMC shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

**5. RMC Resolutions In Writing**

In the event the RMC require matters to be approved by way of a written resolution, a resolution in writing signed or approved by letter or telefax or other electronic means by all members of the RMC, shall be as valid and effectual as if it had been passed at a meeting of the RMC duly called and constituted.

Any such resolution may be executed in any number of counterparts, each signed by one or more members of the RMC all of which taken together and when delivered to the Secretary shall constitute one and the same resolution.

**6. Objective**

The primary objective of the RMC is to oversee the Senior Management's activities who managing the key risk areas of the holding company and the operating subsidiaries and to ensure that the risk management process is in place and functioning effectively.

**7. Responsibilities**

The main responsibilities of the Committee shall include, but are not limited to the following:-

- i) Reviewing and recommending risk management strategies, policies and risk tolerance for the Board's approval.
- ii) Reviewing and assessing the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent of which these are operating effectively.

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- iii) Ensuring adequate infrastructure, resources and systems are in place for an effective risk management i.e. ensuring that the staff responsible for implementing risk management system perform those duties independently of the insurer's risk taking activities.
- iv) Reviewing the management's periodic reports on risk exposure, risk portfolio composition and risk management activities.

**8. Risk Management Framework**

The Board of SKRB believes that an effective Risk Management Framework is essential to the Group in its quest to achieve its corporate objectives, especially on the continued profitability and enhancement of shareholders' value in today's rapidly changing market environment. With this in mind, the Board had established dedicated Board Committees known as the RMC at the holding company to develop and oversee the implementation of an enterprise-wide risk management framework in each operating subsidiaries.

In summary, the Board believes that risk management is a collective responsibility throughout the entire organisation and there must be clear accountability outlined to ensure its success.

As such, the risk management framework within the Group is structured on the following basis:-

- a) The Board is ultimately responsible for the management of risk. In this respect, the RMC, on behalf of the Board, oversees the effective implementation of the risk management process within the Group.
- b) The Audit Committee complements the role of the RMC by providing an independent assessment of the adequacy and reliability of the risk management process, and compliance with the risk policies and regulatory guidelines. The Audit Committee is assisted by an Independent Internal Auditor in performing its role.
- c) The key management personnel of the Company provides the necessary assistance to the RMC in managing the risk management process.
- d) The individual departments must also play its role by implementing the risk management policies and ensure that they are complied with on the day-to-day activities with key initiatives undertaken. The Group had put in place the enterprise risk management framework for the effective and ongoing identification, evaluation, management and reporting of the Group's risk in compliance with the Main Market Listing Requirements.

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In line with the needs of the risk management framework, the Group had completed an enterprise wide level assessment of the Group's current state of risk profile, which includes the following:-

- a) Identification of key risk that may impede the Group from achieving its strategic objectives (every three years).
- b) Identification of existing controls to mitigate these key risks.
- c) Development of action plans to further reduce the risks and better management of the risks.

Further to the above, the following keys activities have been completed to complement the enterprise-wide risk management framework:-

- a) Cascading down the risk management process to the departmental level. In this respect, all the department of the operating subsidiaries had implemented the departmental risk management process.
- b) Installed a risk management enabler at all the departments which would allow for the continuous self-assessment of risk by the risk owners.
- c) Ensuring the risk management processes are integrated into the business processes before embarking on any major projects/initiatives.

With the risk management framework in place, the Group has an established and structured process for the definition and management of risks as well as a formal reporting framework between the risk owners, Management and the RMC.

## **9. Terms of Reference**

The Committee should recommend any change to the 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 of Corporate Governance, Listing Requirements of Bursa Malaysia Securities Berhad or any other regulatory requirement that may have an effect on the Committee's responsibilities.

It shall also be reviewed and updated when there are changes to the direction or strategies of the Group that may affect the RMC's roles and responsibilities.