

**SERN KOU RESOURCES BERHAD**  
[Registration No. 200001016496 (519103-X)]

**TERM OF REFERENCE OF THE RISK MANAGEMENT  
AND SUSTAINABILITY COMMITTEE**

**1. Objective**

The primary objective of the Risk Management and Sustainability Committee (“RMSC” or the Committee”) is: -

- 1.1 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.
- 1.2 to determine the nature and extent of significant risks which it is willing to take in achieving its strategic objectives and ensuring the execution and implementation of our sustainability strategy, in order to continue generating economic value while reducing our environmental and social footprint, by monitoring the progress of our sustainability initiatives against the target set.

**2. Composition and Membership**

- i) The RMSC shall be appointed from amongst the Board.
- ii) The RMSC shall comprise at least three (3) members.
- iii) The RMSC shall consist at least majority independent directors of which one of them shall be the chairman of audit committee.
- iv) The office of a RMSC 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 RMSC.

**3. Chairman**

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

The Chairman shall be responsible for ensuring that the entire Board is kept regularly informed about the RMSC’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 two (2) times 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.
- 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 RMSC shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

#### **5. RMSC Resolutions In Writing**

In the event the RMSC 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 RMSC, shall be as valid and effectual as if it had been passed at a meeting of the RMSC duly called and constituted.

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

## **6. Duties and responsibilities of the Committee**

- 6.1 Establish and ensure that there are effective Risk Management Policy and Guidelines to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks (guidance to 1.1 & Practice 9.1, Malaysian Code on Corporate Governance 2017);
- 6.2 Establish effective Business Sustainability Framework to identify, analyse, evaluate, manage and monitor significant issues concerning Business Sustainability for the Group in the areas of: -
  - 6.2.1 Economic Sustainability
  - 6.2.2 Environmental Sustainability
  - 6.2.3 Workplace Sustainability
- 6.3 Conduct periodic evaluation and update on the Sustainability Framework and Risk Management Policy and Guidelines to continuously improve and ensure its relevance taking into consideration of best practices and changing business environment;
- 6.4 Articulate the Group's risk framework and parameters (through qualitative and quantitative parameters for risk impact and likelihood) for the Group and individual business units so as to gauge acceptability of risk exposure;
- 6.5 Monitor the alignment of Group's risk framework with an appropriate level and quality of capital in line with the risks inherent in its activities and projected business performance;
- 6.6 Work with C-suite the conduct of company-wide sustainability framework and risk assessments by key management staff and Heads of Departments and review the results of the assessment process shall consider the potential impact and likelihood of occurrence of the risks, effectiveness of controls in place and action plans taken to manage those risks to the desired level;
- 6.7 Provide feedback to the Board on risk strategies and ensure constant communication with the Board on Group's sustainability and risk management issues, including the key risks faced by the Group, their changes and management action plans in managing the risks;
- 6.8 Ascertain if a sound and effective approach has been followed establishing the Group's business continuing planning arrangements including business continuity and disaster recovery plans;
- 6.9 Co-ordinate activities with other Board Committees on risk oversight to avoid overlaps in the overall risk oversight process; and

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6.10 Consider and recommend to the Board the assistance from external advisors and internal auditors, when necessary. In such instance, recommend the fee payable, ensure clear establishment of the terms and scope of engagement, and reporting requirements.

**7. Disclosure**

The Committee shall provide, in the Group's annual report and adequate disclosure about the features of Sustainability Report and Risk Management and Internal Control Framework. The Committee shall also provide a statement about its activities in the discharge of its duties for the financial year (Guidance to Practice 9.2, Malaysian Code on Corporate Governance 2017).

**8. Terms of Reference**

The Committee should recommend any change to the 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 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 RMSC's roles and responsibilities.