



**SIME DARBY BERHAD**

**RISK MANAGEMENT COMMITTEE  
TERMS OF REFERENCE**

**Updated as at 22 February 2018**

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**1. PURPOSE**

1.1 The Risk Management Committee (“RMC”) is established as a committee of the Sime Darby Berhad (“SDB”) Board of Directors (“the Board”). The RMC supports the Board by setting and overseeing the Risk Management Framework of the SDB group of companies (“Group”) and regularly assessing such Risk Management Framework to ascertain its adequacy and effectiveness. The RMC’s objectives are as follows:

1.1.1 to review and recommend the Group’s risk management policies and strategies for the Board’s approval. This includes reviewing major investment business cases and Management’s assessment of the key associated risks, including funding options and costs, and investment returns prior to the Board’s approval.

1.1.2 to monitor the implementation of post-spend transactions in accordance with established thresholds in the approved Group Limits of Authority, which includes capital expenditure, acquisitions and project-based operational costs.

**2. COMPOSITION AND APPOINTMENT**

2.1 The RMC members shall be appointed by the Board from amongst their number and shall consist of not less than three (3) members.

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 in order to challenge and facilitate robust discussions on the management of the Group’s key risk areas with the ability to anticipate, assess and mitigate potential future risks to the Group.

2.4 The Chairman of the RMC shall be a Non-Executive Director appointed by the Board.

- 2.5 The RMC members may relinquish their membership in the RMC with prior written notice to the Group Secretary. In the event of any vacancies arising in the RMC resulting in the number of members of the RMC falling below three (3), the vacancy shall be filled as soon as possible, but not later than three (3) months from any arising vacancies.

### **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 Group Finance (GF) to perform duties as necessary to support the RMC in discharging its functions and duties. The Group Chief Financial Officer (GCFO) is accountable to the RMC and shall have direct access to the Chairman of the RMC, if necessary.
  - 3.1.4 Obtain external legal or other independent professional advice as necessary.
- 3.2 The RMC is not authorised to implement its recommendations on behalf of the Board but shall make recommendations to the Board on 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 Group's risk management process which includes the following:
- 4.1.1 Establish the Group's Risk Management Framework based on an internationally recognised risk management framework.

- 4.1.2 Conduct an annual review and periodic testing of the Group's risk management framework. This should include any insights it has gained from the review and any changes made to its risk management framework arising from the review.
- 4.1.3 Monitor the Group and Divisional level risk exposures and management of the significant financial and non-financial risks identified.
- 4.1.4 Evaluate new risks identified by GF including the likelihood of the emerging risks happening in the future and consider the need to put in place the appropriate controls.
- 4.1.5 Review the Group 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.
- 4.1.7 Review 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 periodically review the Group risk management guidelines and policies and ensure implementation of the objectives outlined in the policies and compliance with them.
- 4.3 Recommend for the Board's approval the Group's risk management framework, policies, strategies, key risk indicators and risk tolerance levels, and any proposed changes thereto.
- 4.4 Evaluate the effectiveness of the risk management structure, 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 in accordance with established thresholds in the approved Group Limits of Authority, focusing on the following:
  - 4.5.1 Evaluate the risks associated with funding options and costs, and investment returns and making its recommendation to the Board for approval of the investment or project.

- 4.5.2 Advise the Board on potential risk response strategies that need 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 and 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 GF assessments, and reporting 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 reporting the same to the Board.
- 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 the statement on risk management and internal control in the Group's Annual Report to ensure that relevant information as prescribed in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (MMLR) is disclosed. Disclosure in the annual report should include a discussion on how key risk areas such as finance, operations, regulatory compliance, reputation, cyber security and sustainability were evaluated and the controls in place for the Group to mitigate and manage those risks.

## **5. MEETINGS**

### **5.1 Frequency**

5.1.1 The RMC shall meet at least quarterly in a financial year. Additional meetings shall be scheduled as considered necessary by the Chairman of the RMC.

5.1.2 The GCFO shall attend meetings of the RMC as a permanent invitee. Other members of Management may attend the meetings by invitation of the RMC.

### **5.2 Notice and Agenda**

5.2.1 The Group Secretary shall issue and circulate the notice of the RMC meetings confirming the venue, time and date at least five (5) working days before each meeting to the RMC committee members and all those who are required to attend the meeting.

5.2.2 The agenda for each meeting including relevant documents and information requested by the RMC shall be circulated at least five (5) working days before each meeting to the RMC members and all those who are required to attend the meeting.

5.2.3 The RMC meeting agendas shall be the responsibility of the Chairman with input from the RMC members and GF. The Chairman may also invite other members of 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. 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 to enable effective discussion; however, meetings may also be conducted via telephone conferencing, video conferencing or other appropriate means as determined by the RMC.

5.4.2 The RMC may from time to time and if deemed appropriate, consider and approve and/or recommend relevant matters via a Circular Resolution in writing, in lieu of formally convening a meeting. The Circular Resolution shall be as valid and effectual as if it has been passed by a meeting of the RMC duly convened. Approval of RMC obtained by an RMC Circular Resolution must be signed or approved by all RMC members subject to 5.5.2.

## **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 An 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 The minutes of the meeting shall be action oriented, and record the deliberations and decisions of the RMC. Minutes shall include compiled Board instructions as Matters Arising for discussion at each RMC meeting to ensure proper follow through.

5.6.2 Minutes shall be distributed to RMC members and shall be approved by the Chairman of the meeting at which the proceedings are held or by the Chairman of the next succeeding meeting.

5.6.3 Copies of minutes of each meeting shall be distributed to all members of the Board.

5.6.4 The RMC, through its Chairman, shall update the Board on the activities undertaken by the RMC at each Board meeting.

5.6.5 GF shall be provided with the minutes and Matters Arising for follow up on key actions required.



**5.7 Secretary**

5.7.1 The Secretary to the RMC shall be the Group Secretary or a person recommended by the Group Secretary and approved by the Board.

5.7.2 The Secretary shall organise and provide assistance at RMC meetings and have the following key responsibilities:

- ensure meetings are arranged and held accordingly;
- assist the Chairman in planning the RMC's activities;
- draw up meeting agendas in consultation with the RMC Chairman and maintain the minutes and draft its scheduled activities for the financial year;
- ensure structured communication channels between the Board and the RMC;
- ensure proceedings of meetings are recorded and the minutes circulated in a timely manner, and reviewed by the RMC before disseminating them to the Board; and
- ensure RMC recommendations presented to the Board are supported by papers that explain the rationale for the RMC's recommendations.

**6. ANNUAL PERFORMANCE ASSESSMENT**

6.1 The RMC shall perform a self-assessment annually to assess its effectiveness in carrying out the duties as set out in this terms of reference and report the results to the Board.

6.2 The Board shall review the composition, performance and effectiveness of the RMC and each of its members annually to ensure that the Committee has the right composition, and sufficient, recent and relevant skills and expertise to effectively fulfil their roles.

6.3 All such assessments shall be properly documented.

**7. REVIEW OF THE TERMS OF REFERENCE**

- 7.1 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, MMLR 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.