

# **SHH RESOURCES HOLDINGS BERHAD**

(Company No: 304227-U)

## **TERMS OF REFERENCE OF THE RISK MANAGEMENT COMMITTEE**

### **CONSTITUTION**

The Risk Management Committee (“Committee”) was established by the Board of Directors on 30th August 2017 to assist the Board in fulfilling its corporate governance oversight responsibilities with regard to the identification, evaluation and mitigation of strategic, operational, and external environment risks. The Committee has overall responsibility for monitoring and approving the risk management framework and associated practices of the Group.

#### **1. Objectives**

- 1.1. The primary objective of the Committee is to assist the Board of Directors in fulfilling their responsibilities in establishing and maintaining systems for risk and sustainability management and internal control.
- 1.2. The Committee shall assess the effectiveness and efficiency of the Group’s risk management framework and processes, sustainability management policies and processes and internal control system.

#### **2. Composition**

- 2.1. The Committee shall be appointed by the Board of Directors from among their number and shall comprise not fewer than 3 members. Members of the Committee may consist of Executive and Non-Executive Directors with majority of them shall be Non-Executive Directors.
- 2.2. Each member should have an understanding of risk management expertise commensurate with the Group’s size, complexity and capital structure.
- 2.3. A member of the Committee may relinquish his/her membership by written notice to the Company Secretary.
- 2.4. If a member of the Committee for any reason ceases to be a member with the result that the number is reduced to below 3, the Board of Directors shall, within 3 months of that event, appoint such number of new members as may be required to make up the minimum number of 3 members.

#### **3. Chairman**

- 3.1. The members of the Committee shall elect a Chairman from amongst its members. The Chairman elected shall be subject to endorsement by the Board.
- 3.2. In the event the elected Chairman is not able to attend a meeting, a member of the Committee shall be nominated as Chairman for the meeting.

#### **4. Secretary**

- 4.1. The Company Secretary of the Board or his/her nominee, or such person nominated by the Committee, shall act as the Secretary of the Committee.

#### **5. Quorum**

- 5.1. The quorum of the committee shall be at least two members.
- 5.2. In the absence of a quorum, the meeting shall be adjourned to such other time, date and venue as the Committee may determine.

#### **6. Frequency of meetings**

- 6.1. The Committee will meet at least once a year and such additional meetings as the Chairman shall decide in order to fulfil its duties.
- 6.2. In addition, the Chairman may call a meeting of the Committee if a request is made by any member of the Committee, the Company's Board of Directors or the Company's Managing Director.

#### **7. Notice of meetings**

- 7.1. Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Committee Chairman.
- 7.2. Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed and such relevant documents or information as may be required by the member, shall be forwarded to each member of the Committee and any other person required to attend, no later than seven (7) days before the date of the meeting.
- 7.3. Members of the Committee shall have the opportunity to seek additional information, and are able to obtain further clarification from the Management or other relevant parties should the need arises.

#### **8. Meeting of the Committee**

- 8.1. Only members of the Committee have the right to attend Committee meetings. However, other individuals such as representatives of the Management and/or Company Secretary may be invited to attend for all or part of any meeting, as and when appropriate and necessary.
- 8.2. The meeting of the Committee may be conducted via face-to-face and/or by means of any other conferencing technology as may be deemed appropriate by the Committee.
- 8.3. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

- 8.4. Each member of the Committee eligible to vote at a committee meeting shall have one (1) vote.
- 8.5. A member is required to abstain from deliberation and voting in respect of any matter which may give rise to an actual or perceived conflict of interest situation.
- 8.6. All resolutions of the Committee shall be adopted by a simple majority vote.
- 8.7. In the event of an equality of votes, the Chairman of Committee shall be entitled to second or casting vote.

## **9. Annual General Meeting**

- 9.1. The Committee Chairman should attend the Annual General Meeting to answer any shareholder questions on the Committee's activities.

## **10. Responsibilities and Functions**

- 10.1. The main functions of the Committee include the following: -

- 10.2. Understand the Group's business risks including significant economic, environment and social risk and endorsing the Group's risk appetite which entails:-
  - a) the monitoring of risks which are constantly evolving and regular updating by management to the Committee of key risks and associated risk mitigation; and
  - b) the endorsement of the Group's risk appetite, i.e. the amount of risks the Group is willing to accept in pursuit of stakeholders' value.
  - c) review the Group's risk profile by comparison to its risk appetite.

The Group's management should engage with the Committee to establish a mutual understanding of the Group's overall appetite for risks.

- 10.3. Review the extent to which management has established an effective system of risk management and internal control. The Committee should consider the effectiveness of existing risk management framework and processes and require management to demonstrate the effectiveness of those processes in identifying, assessing, and managing the Group's most significant risk exposures by:-
  - a) reviewing and approving the Risk Management Framework of the Group annually;
  - b) determining whether that the Group is taking the appropriate measures to achieve prudent balance between risk and reward in both ongoing and new business activities;
  - c) evaluating the significant risk exposures of the key and supporting operating units of the Group and assessing management's actions to mitigate these exposures in a timely manner;
  - d) reviewing the risk factor for one-off initiative/purchase of property, diversification of business, new business venture or transactions that poses significant risk factor to the Group; and
  - e) reviewing and approving risk disclosure statements in any public documents or disclosures.

- 10.4. Overseeing the management of sustainability matters of the Group. Their responsibilities include the following significant areas:
- a) Establishment of the Group's Sustainability Framework and significant sustainability policies;
  - b) Ensuring effectiveness of the process in identifying, assessing, managing and reporting of material sustainability matters;
  - c) Monitoring and overseeing all sustainable strategies and initiatives of the Group;
  - d) Ensuring resources and processes are in place to enable the Group to achieve its sustainability commitments; and
  - e) Approving disclosure statements relating to management of material sustainability matters of the Group.
- 10.5. The Committee shall make regular reports to the Board, including with respect to risk management and sustainability matters.

## **11. Authority**

- 11.1. The Committee is authorised to pursue any matter or activity of the Group within its terms of reference and request any information from any employee/director/contractor/consultant (or other provider of services, including legal and corporate advisers) of the Company/Group in order to perform its duties.
- 11.2. The Committee shall have access to sufficient resources in order to carry out its duties, including authority to retain persons or experts having special competence as necessary to assist the Committee in fulfilling its responsibilities.

## **12. Co-ordination with Audit Committee**

- 12.1. The Committee will coordinate its activities with the Audit Committee in instances where there is any overlap with audit activities (e.g. internal or external audit issues relating to risk management policy or practices).

## **13. Term of Office**

- 13.1. The term of office and performance of the Committee and each of its members shall be reviewed annually by the Board to determine whether the Committee and its members have carried out their duties in accordance with their Terms of Reference.

## **14. Review of the Terms of Reference**

- 14.1. The Committee shall review and assess the adequacy of this Terms of Reference on a periodic basis or as and when necessary.
- 14.2. Any proposed changes to the Terms of Reference shall be approved by the Board.