



**SIME DARBY BERHAD**

**RISK MANAGEMENT & SUSTAINABILITY  
COMMITTEE  
TERMS OF REFERENCE**

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## 1. PURPOSE

- 1.1 The Risk Management & Sustainability Committee (“RMSC”) is established as a committee of the Sime Darby Berhad (“SDB”) Board of Directors (“the Board”). The RMSC supports the Board by setting and overseeing the Risk Management Framework of the SDB group of companies (“Group”) and the Group’s Sustainability Strategy and Initiatives. The RMSC’s objectives are as follows:
- 1.1.1 Oversee the implementation of the risk management and sustainability frameworks, policies and procedures in identifying and managing risks across the Group’s business operations;
  - 1.1.2 Oversee the formulation and implementation of policies and programmes to address the Group’s key compliance risk areas;
  - 1.1.3 Evaluate and advise the Board on significant strategic activities and policies regarding sustainability practices and initiatives. In addition, it shall aid management in establishing sustainability goals and strategy;
  - 1.1.4 Assist the Board in fulfilling its oversight responsibilities in relation to the Group’s sustainability strategy and initiatives comprising economic, environmental and social matters; and
  - 1.1.5 Ensuring the adequacy of resources and systems for risk, sustainability and compliance management; and assessing the effectiveness of the Group Risk & Compliance (“GRC”) function in carrying out the duties and responsibilities to assist the RMSC.

## 2. COMPOSITION AND APPOINTMENT

- 2.1 The RMSC 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 RMSC.
- 2.3 The RMSC 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 and sustainability areas with the ability to anticipate, assess, drive potential future sustainability opportunities and mitigate potential future risks to the Group.

- 2.4 The Chairman of the RMSC shall be a Non-Executive Director appointed by the Board and acts as the key contact between the committee members and Board members as well as Senior Management, personnel of GRC, Group Corporate Services (“GCS”) and Group Safety (“GS”). The responsibilities of the RMSC Chairman, among others, are as follows:
- 2.4.1 Planning and conducting meetings;
  - 2.4.2 Overseeing the reporting to the Board;
  - 2.4.3 Encouraging open discussion during meetings; and
  - 2.4.4 Developing and maintaining active on-going dialogue with Management, GRC, GCS and GS.
- 2.5 The RMSC members may relinquish their membership in the RMSC with prior written notice to the Group Secretary. In the event of any vacancies arising in the RMSC resulting in the number of members of the RMSC 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 RMSC 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 GRC, GCS and GS to perform duties as necessary to support the RMSC in discharging its functions and duties. The Group Head - GRC is accountable to the RMSC and the Group Head - GRC, Group Chief Corporate Services Officer (“GCCSO”) and Group Chief Safety Officer (“GCSO”) shall have direct access to the Chairman of the RMSC, if necessary.

3.1.4 Obtain external legal or other independent professional advice as necessary.

3.2 The RMSC is not authorised to implement its recommendations on behalf of the Board but shall make recommendations to the Board on risk and sustainability related matters for its consideration and implementation.

#### **4. FUNCTIONS AND DUTIES**

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

- 4.1 Oversee the implementation of the risk management framework, policies and procedures in identifying and managing risks across the Group's business operations. This includes the following:
- 4.1.1 Establish and recommend for the Board's approval the Group's risk management framework, policies, guidelines, strategies, risk appetite and tolerance levels.
  - 4.1.2 Periodically review the Group risk management framework, policies and guidelines ensure implementation of the objectives outlined in the policies and compliance with them.
  - 4.1.3 Review the Group and Divisional Risk Profiles and ensure that significant risks (including emerging risks) that are outside tolerable ranges are being responded with appropriate actions taken in a timely manner. The RMSC should also put in place the appropriate controls and mitigation actions to address these risks.
  - 4.1.4 Review the status of the implementation of management action plans in mitigating significant risks identified.
  - 4.1.5 Monitor the execution/operationalisation of investments or projects and highlighting key risks to the Board as relevant.
- 4.2 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.

- 4.3 Oversee the formulation and implementation of policies and programmes to address the Group's key compliance risk areas ("CRAs"), through the following:
  - 4.3.1 Assess CRAs in accordance with the Risk Management Framework.
  - 4.3.2 Evaluate scope of compliance programs for CRAs, including:
    - 4.3.2.1 Monitor the implementation of compliance programs including Anti-Bribery Management System ("ABMS"); and
    - 4.3.2.2 Review the status of implementation of management action plans to comply with applicable laws and regulations of CRAs that could have a significant financial impact on the Group's financial statements.
- 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. This includes the following:
  - 4.4.1 Review the adequacy of GRC, and ensure it is able to undertake its activities independently and objectively, and that it has the necessary authority to carry out its work. This includes recommending to the Board the appointment, transfer and dismissal (termination and removal) of the Group Head - GRC.
  - 4.4.2 Assess the performance of the Group Head - GRC and review the assessment of the performance of the Direct Reports of the Group Head - GRC.
  - 4.4.3 The RMSC shall be informed of any resignation of the Group Head - GRC, as well as the Direct Reports.
- 4.5 Assist the Board in fulfilling its oversight responsibilities in relation to Group's sustainability strategy, goals, targets and initiatives focusing on economic, environment and social aspect of the Group. This includes the following:
  - 4.5.1 Establish and recommend for the Board's approval the Group's sustainability strategy, blueprint, material matters, policies and guidelines and sustainability risk tolerance levels;

- 4.5.2 Receive regular updates from the GCCSO and GCSO regarding compliance with related laws and regulations and monitor such compliance, including regular updates from GCSO on the health and safety of persons at the workplace and investigations including any related material matters arising thereof as identified by the risk framework;
- 4.5.3 Review the effectiveness of the Group's sustainability strategies, policies and principles against the priorities and targets as set by the Board;
- 4.5.4 Provide oversight to ensure that strategies, priorities and targets pertaining to economic, environment and social are aligned with the Group's commitment towards sustainability;
- 4.5.5 Oversee the processes, framework and strategies designed to manage economic, environmental and social risks, covering matters such as safety, health, employment practices, environmental practices, human rights, community relations and other relevant sustainability matters;
- 4.5.6 Monitor the adoption and effectiveness of sustainability related policies, framework and procedures;
- 4.5.7 Review and monitor the Group's sustainability key performance against the sustainability strategies and targets set;
- 4.5.8 Review and monitor material sustainability matters relevant to the Group, including climate-related risks and opportunities;
- 4.5.9 Review and recommend the integration of sustainability including the Group's Sustainability Statement in the Group's Annual Report in line with the requirements under the MMLR;
- 4.5.10 Assess the need for the Sustainability Statement to be validated either internally by Group Corporate Assurance or externally for the purpose of strengthening credibility, and in connection thereto, to do the following:
- (a) to determine the scope and subject matters to be covered by the validation exercise; and
  - (b) to review the validation results.

- 4.5.11 Drive the engagement on sustainability awareness to ensure adoption across the Group.

## **5. MEETINGS**

### **5.1 Frequency**

- 5.1.1 The RMSC shall meet at least quarterly in a financial year. Additional meetings shall be scheduled as considered necessary by the Chairman of the RMSC.
- 5.1.2 The Group Head - GRC, GCCSO and GSO shall attend meetings of the RMSC as permanent invitees. Other members of Management may attend the meetings by invitation of the RMSC.

### **5.2 Notice and Agenda**

- 5.2.1 The Group Secretary shall issue and circulate the notice of the RMSC meetings confirming the venue, time and date at least five (5) working days before each meeting to the RMSC 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 RMSC shall be circulated at least five (5) working days before each meeting to the RMSC members and all those who are required to attend the meeting.
- 5.2.3 The RMSC meeting agendas shall be the responsibility of the Chairman with input from the RMSC members, GRC, GCS and GS. 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 RMSC 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 RMSC 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 RMSC.
- 5.4.2 The RMSC 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 RMSC duly convened. Approval of RMSC obtained by an RMSC Circular Resolution must be signed or approved by all RMSC members subject to 5.5.2.

#### **5.5 Voting**

- 5.5.1 All resolutions of the RMSC shall be adopted by a simple majority vote, each member having one vote. In case of equality of votes, the Chairman of the RMSC shall have a second or casting vote.
- 5.5.2 An RMSC 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 RMSC. Minutes shall include compiled Board instructions as Matters Arising for discussion at each RMSC meeting to ensure proper follow through.
- 5.6.2 Minutes shall be distributed to RMSC 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 RMSC, through its Chairman, shall update the Board on the activities undertaken by the RMSC at each Board meeting.

5.6.5 GRC, GCS and GS shall be provided with relevant extracts of the minutes and Matters Arising for follow up on key actions required.

## **5.7 Secretary**

5.7.1 The Secretary to the RMSC 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 RMSC meetings and have the following key responsibilities:

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

## **6. ANNUAL PERFORMANCE ASSESSMENT**

6.1 The RMSC 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 RMSC 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 RMSC shall recommend any changes to its 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 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 RMSC's role.