

Terms of Reference of The Risk Management Commitee

Kinergy Advancement Berhad and its Group of Companies
Kinergy Group
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TERMS OF REFERENCE OF THE RISK MANAGEMENT COMMITTEE

1. Objectives

The principal objective of the Risk Management Committee is to assist the Board in discharging its statutory duties and responsibilities of identifying principal risks and implementing appropriate systems and risk assessment processes to manage such risks, in line with the Malaysian Code on Corporate Governance issued by the Securities Commission and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"). In addition, the Risk Management Committee shall be responsible to the Board for:

- (i) Leading the Group strategic direction in the management of the Group's business risks;
- (ii) Oversight on the establishment and implementation of a risk management framework and policies; and
- (iii) Reviewing the effectiveness of the risk management framework in identifying and managing risks and internal processes which includes but is not limited to ensuring the adequacy of risk management policies and infrastructure to facilitate the implementation of action plans for risk management.

The objectives of the framework are to ensure the provision of quality services and have a risk culture and processes throughout the Group that manage and monitor risks that may adversely affect the Group's achievement of its business objectives.

2. Composition of the Risk Management Committee

The Risk Management Committee shall be appointed by the Board from among their number which fulfills the following criteria:

- (i) The Risk Management Committee must consist of no fewer than three (3) members;
- (ii) A majority of the Risk Management Committee must be Independent Directors;
- (iii) The members of the Risk Management Committee shall elect a Chairman/Chairperson of the Committee from amongst themselves who is an Independent Non-Executive Director;
- (iv) If a member of the Risk Management Committee retires, resigns, passed away and/or for any other reason ceases to be a member resulting in the number of members be reduced to below three (3), the Board shall within three (3) months of that event, appoint such number of new members as may be required to make up the minimum of three (3) members; and
- (v) Members of the Risk Management Committee may relinquish their membership in the Committee with prior written notice to the Secretary and may continue to serve as Director of the Group.

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3. Authority

Wherever necessary and reasonable for the performance of its duties, the Risk Management Committee shall:

- (i) Investigate any activity within its Terms of Reference;
- (ii) Have resources which are reasonably required to enable it to perform its duties;
- (iii) Have full and unrestricted access to all information and documents it requires for the purpose of discharging its functions and responsibilities;
- (iv) To approve the Terms of Reference of the Risk Management Committee, including delegated responsibility to manage the risk profile of the Group;
- (v) Have direct communication channels with the external auditors, internal auditors and Senior Management of the Group; and
- (vi) Able to obtain external, legal or other independent advice when necessary.

4. Meetings and reporting

The quorum in respect of a meeting of the Risk Management Committee shall be a majority of Independent Directors.

Meetings shall be held at least once in each financial year and as and when the Risk Management Committee deems necessary.

The Chairman/Chairperson may call for additional meetings at any time at the Chairman's/Chairperson's discretion.

The Risk Management Committee may invite other directors and employees to the meetings to brief the Risk Management Committee on issues that are incorporated into the agenda.

The Company Secretary/(ies) shall act as Secretary/(ies) of the Risk Management Committee and shall be responsible, in conjunction with the Chairman/Chairperson, for drawing up the agenda and other supporting explanatory documents for circulation to the Risk Management Committee members prior to each meeting. The Secretary/(ies) shall be responsible for keeping the minutes of the meetings, circulating them to the Risk Management Committee members and ensuring compliance with the Listing Requirements.

The notice of Risk Management Committee meetings shall be given by the Secretary to all the Risk Management Committee members at least five (5) days prior to each meeting unless the Risk Management Committee waives such requirement.

In the absence of the Chairman/Chairperson, the Non-Executive members can elect from amongst themselves the Chairman/Chairperson for the meeting.

Significant results and findings from the Risk Management Committee's deliberation shall be put in writing and tabled to the Board.

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5. Circular resolutions

A resolution in writing signed by a majority of the Risk Management Committee members for the time being shall be as valid and effectual as if it had been passed at a meeting of the Risk Management Committee duly called and constituted. Any such resolution may consist of several documents in like form each signed by one (1) or more Risk Management Committee members. Any such document may be accepted as sufficiently signed by a Risk Management Committee member if transmitted to the Group by email, facsimile or other electrical or digital written message/application to include a signature of a Risk Management Committee member.

6. Duties

The duties of the Risk Management Committee include the following:

- (i) Oversee and recommend the Risk Management policies and procedures of the Group;
- (ii) Set risk appetite, approve frameworks, policies and processes for managing risk and accept risks beyond the approval discretion provided to the Management;
- (iii) Report to the Board regarding the Group's risk exposures, including review of risk assessment model(s) used to monitor the risk exposures and Management's view on the acceptable and appropriate level of risks faced by the Group's respective departments;
- (iv) Set reporting guidelines for Management to report to the Committee on the effectiveness of the Group's management of its business risks;
- (v) Receive reports from the Executive Risk Management Committee ("ERMC") which has been reviewed and/or deliberated by the ERMC concerning:
 - Risk management policies, strategies, processes and controls, status of implementation and effectiveness, within the respective departments and, if thought fit, approve or vary them;
 - Alignment / integration of risk management activities with other management activities that include formulation of strategies, development of business plans, budgeting, performance reviews, within the respective departments; and
 - Identification and management of enterprise risks that could impact the achievement of business objectives,
- (vi) Monitor changes in the economic and business environment, including anticipated and emerging risks, legislative or regulatory changes and other factors relevant to Group's risk profile.

7. Risk Management Function

Key management staff and Heads of Department of the Group are delegated with the responsibility to manage risks of their respective areas of responsibilities. In the periodic management meetings, key risks and mitigating controls are deliberated. Risks identified are prioritised in terms of likelihood of occurrence and its impact on the achievement of the Group's business objectives. Significant risks affecting the Group's strategic and business plans are escalated to the ERMC at their scheduled meetings.

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The Group has an ERM which is chaired by the Managing Director and comprises the Heads of Department of the Group. The ERM is assisted by key management staff whose role is to identify, mitigate and manage risks within their respective departments. The ERM retains the overall risk governance responsibility and risk oversight of the Group. The Risk Management reporting structure is as follows:



The Group's risk management processes establish the context of risks in relation to the Group and its respective departments. The processes include risk identification, analysis, evaluation and treatment with continuous monitoring, review, communication and consultation.

8. Reporting

The Chairman/Chairperson of the Risk Management Committee shall report on each meeting to the Board.

9. Review of the Risk Management Committee

The Nomination Committee shall review annually the term of office and performance of the Risk Management Committee and each of its members to determine whether the Risk Management Committee and its members have carried out their duties in accordance with the terms of reference.

10. Review of the Terms of Reference

The Terms of Reference of the Risk Management Committee are to be regularly reviewed by the Board as and when required.

This terms of reference is dated 28.08.2020.