

# Risk Management and Sustainability Committee Terms of Reference

Tong Herr Resources Berhad

Contents	Pages No.
Introduction	1
Purpose	1
Membership	2
Chairman Of the Committee	2
Secretary Of the Committee	2
Authority	3
Responsibilities And Duties	4
Reporting	4
Meetings Administrations	5
The Committee's Performance	7
The Committee's Ethics and Procedures	7
Review Of Terms of Reference	7

## **1. Introduction**

1.1 The Terms of Reference for the Board Sustainability Committee, referred to as "TOR" or the "Terms of Reference," outline the expectations of the Board of Directors of Tong Herr Resources Berhad concerning the establishment of a Board Sustainability Committee and the delegation of responsibilities to such committee, as of the current date.

1.2 Unless otherwise specified, the following definitions apply:

- "Tong Herr Resources Berhad" or "the Company" pertains to Tong Herr Resources Berhad.
- "Tong Herr Group" or "the Group" encompasses Tong Herr Resources Berhad and its group of companies.
- "Subsidiaries" denotes Tong Herr Resources Berhad subsidiaries.
- "The Board" references the Board of Directors of Tong Herr Resources Berhad.
- "BSC" or "Committee" refers to the Board Sustainability Committee of Tong Herr Resources Berhad.
- "Top Management" encompasses the Group Chief Executive Officer ("Group CEO"), Group Divisional Directors, Group Chief Financial Officer, Chief Internal Auditor, Head of Group Governance & Risk Management, Head of Group Sustainability, Company Secretary, and all positions at the Senior Vice President level and above.

1.3 The purpose of the BSC Terms of Reference is to outline the guidelines governing the BSC's conduct in carrying out its assigned duties, which are aimed at aiding the Board in meeting its statutory and fiduciary obligations regarding sustainability matters, as specified in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"). Additionally, the BSC Terms of Reference acknowledges and endeavors to incorporate pertinent practices and guidance from the following documents:

1.3.1 The 2021 Malaysian Code on Corporate Governance and subsequent revisions ("the Code" or "MCCG"), which offers Principles, Intended Outcomes, Practices, and Guidance to foster a stronger internalization of good governance and a culture of integrity; and

1.3.2 The Corporate Governance Guide ("the Guide") issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia"), designed to enhance the implementation and realization of corporate governance practices by furnishing practical guidance to listed issuers and fostering an understanding among them about the factors driving sound corporate governance.

## **2. Purpose**

2.1 The Committee's role is to aid the Board in carrying out its supervisory duties concerning the Group sustainability objectives, policies, and practices, encompassing the following areas:

- 2.1.1 Material sustainability matters;
- 2.1.2 Health and safety;
- 2.1.3 Environment, economic and social;
- 2.1.4 Human rights and good social practices;

- 2.1.5 Traceability and supply chain;
- 2.1.6 Sustainability certification; and
- 2.1.7 Other areas deemed material from time to time.

2.2 The presence of the Committee does not reduce the Board's ultimate statutory and fiduciary duty for decision-making pertaining to the functions and responsibilities of the Committee.

### **3. Membership**

3.1 The Board shall appoint both the Committee's membership and its Chairman, with a minimum of three (3) members selected from the Board of Directors.

3.2 The Committee must primarily consist of Independent Non-Executive Directors. All Committee members, including the Chairman, will serve as long as they remain Directors of Tong Herr.

3.3 The Committee shall not include Alternate Directors as its members.

3.4 Each Committee member is required to:

- 3.4.1 Possess a reasonable understanding of the Group operations and performance.
- 3.4.2 Demonstrate expertise or familiarity with governance, risk management, and sustainability topics, including a grasp of relevant regulations and best practice references/standards.
- 3.4.3 Devote the essential time and focus to fulfilling the Committee's responsibilities and duties.

3.5 Quorum

- 3.5.1 To establish a quorum for Committee meetings, either 50% of the members or a minimum of two (2) Committee members, whichever is greater, must be in attendance, including at least one (1) Independent Non-Executive Director.
- 3.5.2 The Committee Chairman is required to be present at all Committee meetings.

### **4. Chairman Of the Committee**

- 4.1 The selection of the BSC Chairman will involve electing an Independent Director from the BSC members, and this appointment will require approval from the Board of Directors.
- 4.2 The Chairman of the BSC will be responsible for reporting to the Board on any issues requiring the Board's attention and presenting BSC recommendations necessitating Board approval during Board meetings.

### **5. Secretary Of the Committee**

- 5.1 The Company Secretary will assume the role of the Committee Secretary.
- 5.2 The Committee Secretary or, with the Committee's consent, a representative designated by the Company Secretary, will be in attendance to document the proceedings of Committee meetings.

5.3 The Committee Secretary shall be responsible for the following tasks:

- 5.3.1 Coordinating and overseeing the organization of meetings.
- 5.3.2 Assisting the Committee Chairman in strategizing the Committee's activities for the fiscal year.
- 5.3.3 Drafting meeting agendas in consultation with the Committee Chairman and distributing the agenda, along with pertinent documents, at least five (5) business days before each Committee meeting.
- 5.3.4 Establishing effective communication (i.e., formal and timely reporting) between the Board and the Committee.
- 5.3.5 Ensuring that meeting proceedings are accurately recorded and approved by the Committee Chairman before disseminating them to all Board members.
- 5.3.6 Ensuring that the Committee's recommendations presented to the Board are accompanied by explanatory documents, including a report from the Committee or meeting minutes that explain the reasoning behind the Committee's recommendations.

## **6. Authority**

6.1 The Board has granted the Committee, as outlined in these Terms of Reference, the following authorizations:

- 6.1.1 Execute the necessary actions to fulfill its responsibilities as defined within its Terms of Reference and provide pertinent recommendations to the Board.
- 6.1.2 Procure the essential resources required to perform its duties.
- 6.1.3 Enjoy unrestricted access to the Group records, assets, and personnel, enabling the retrieval of any relevant information concerning the Group objectives.
- 6.1.4 Acquire independent professional advice, when necessary, to aid the Committee or individual Committee members in fulfilling their roles, responsibilities, and duties.
- 6.1.5 Investigate or instruct an investigation into any activity or matter within the scope of its Terms of Reference.
- 6.1.6 Convene exclusively among its own members whenever it deems necessary.

6.2 The Committee will receive support from the Top Management to promote sustainability best practices within the Tong Herr Group.

6.3 The Committee will also receive assistance from the Head of the Group Sustainability Division, a designated individual within management, to ensure a dedicated focus on strategic sustainability management, including the incorporation of sustainability considerations into the Group operations.

## **7. Responsibilities And Duties**

7.1 The Committee's duties shall encompass, but not be confined to, the following:

- (a) Supervising and guiding the development of the Group Sustainability Policy, overarching sustainability strategies, sustainability framework, initiatives, priorities, targets, as well as principles and policies in alignment with the Group commitment to sustainability, the United Nations Sustainable Development Goals (SDGs), related regulations, and standards.
- (b) Overseeing the Group performance in health, safety, environment, and community ("HSEC"), as well as assessing the sufficiency of the Group HSEC framework and management system concerning the consequences of decisions and actions, including their impact on employees, third parties, communities, and the Group reputation.
- (c) Ensuring that the Group strategic plan supports the creation of long-term value and incorporates strategies addressing economic, environmental, and social factors supporting sustainability, human rights, and considerations related to climate-related risks and opportunities.
- (d) Supervising and monitoring the strategic management of substantial sustainability concerns, risks, and opportunities directed by Top Management and tracking progress toward achieving the Group sustainability objectives (sustainability key performance indicators).
- (e) Assess sustainability-related issues stemming from grievances, independent audits, and assurance reports, along with any concerns raised by external consultants.
- (f) Supervise employee awareness programs aimed at enhancing understanding of the Group sustainability approach and supporting sustainability initiatives throughout the Group.
- (g) Oversee the results of stakeholder engagement efforts, especially focusing on issues that could impact the Group reputation, encompassing grievances, concerns/allegations, evolving public/market sentiments, and government regulations.
- (h) Ensure the Group comprehensive sustainability framework, strategies, priorities, targets, and progress against these targets are effectively communicated to internal and external stakeholders through appropriate means such as engagements and disclosures.
- (i) Review all matters reported to shareholders and/or relevant authorities, as well as disclosures related to sustainability and other statements mandated by Bursa Malaysia concerning the Group sustainability concerns (including the Sustainability Statement and Sustainability Report), and provide recommendations to the Board for approval.

7.2 The Committee shall assume any additional responsibilities as decided by the Board periodically.

## **8. Reporting**

8.1 The Committee shall communicate with the Board regarding the topics it has considered on and its corresponding recommendations pertaining to the Group by means of:

- 8.1.1 Distributing minutes of each Committee meeting, accompanied by explanatory documents, to all Board members upon approval by the Committee Chairman.

8.1.2 The Committee Chairman alerting the Board to any highly significant matters.

8.1.3 The Committee Chairman providing the Board with updates on the activities carried out by the BSC.

8.2 When deemed appropriate by the Committee Chairman and Committee members, any pertinent matters considered highly significant should be brought to the attention of the Board.

8.3 The Committee is tasked with ensuring that the Company includes the Sustainability Statement for the fiscal year in its Annual Report, in accordance with the Listing Requirements, the Sustainability Reporting Guide, and the Sustainability Toolkit provided by Bursa Malaysia Berhad.

## **9. Meetings Administrations**

### **9.1 Frequency and Attendance**

9.1.1 Committee meetings shall occur at least twice (2) times annually, or more frequently if circumstances require.

9.1.2 The Committee Chairman, in collaboration with the Committee Secretary, shall decide the meeting frequency and coordinate the meeting schedule with Committee members. In addition to the regularly scheduled meetings, the Committee Chairman will convene a meeting if requested by any Committee member.

9.1.3 Typically, Committee meetings will be conducted in a face-to-face format to facilitate productive discussions. However, meetings may also be conducted through telephone conferencing, video conferencing, or other suitable methods as determined by the Committee. In the case of face-to-face meetings, if a committee member is unable to attend physically, they may opt to participate through telephone conferencing, video conferencing, or other appropriate means as determined by the Committee.

9.1.4 All decisions made by Committee members during a meeting or an adjourned meeting shall require a majority vote of all present members. In cases of a tie, the Committee Chairman shall possess a second or casting vote.

9.1.5 If matters necessitating the Committee's decision arise between regular meetings, the Committee may, if deemed appropriate, consider, approve, and/or recommend such matters through written circular resolutions. These resolutions must be supported by relevant documents, papers, and information providing details about the subject matter. Committee members may seek additional information from management and express their viewpoints through fax, email, or other telecommunication methods before reaching a decision. Circular resolutions shall be as valid and effective as if they had been passed in a formally convened Committee meeting. Approval through a BSC circular resolution must be endorsed by all BSC members, subject to paragraph 9.1.7 of this Terms of Reference. All such circular resolutions shall be presented for confirmation at a subsequent Committee meeting following their passage.

9.1.6 The Group CEO, Head of Group Sustainability, and Head of Group Health Safety & Environment shall be permanent invitees to Committee meetings. Other Directors of the Board, members of the management team, Group executives, external parties, or any other relevant party may be invited to attend Committee meetings as deemed appropriate by the Committee Chairman and Committee members.

9.1.7 Any Committee member or invited participant with a conflict of interest shall refrain from discussing, participating in decisions, or voting on related matters. The Committee member and/or invited participants must excuse themselves from the Committee meeting during discussions or deliberations of any matter in which they have a vested interest or which may give rise to an actual or perceived conflict of interest.

9.1.8 The Committee Chairman has the authority to request individuals in attendance to leave the meeting room if discussions involve confidential matters or if the presence of certain individuals could hinder the deliberation process.

## 9.2 Notice and Agenda

9.2.1 The Committee Secretary shall issue and distribute written notices of BSC meetings, confirming the venue, time, and date to BSC members, Committee members, and all required attendees at least five (5) business days prior to each meeting. Notices may be provided in hard copy, electronic form, or a combination of both.

9.2.2 The Committee Chairman shall ensure the preparation of a comprehensive agenda for the Committee meeting. The Committee Secretary, in collaboration with the Committee Chairman, shall draft the meeting agenda. The responsibility for developing BSC meeting agendas lies with the Chairman, who may seek input from BSC members. If necessary, the Chairman may also invite other members of the management team and external individuals to participate in this process.

9.2.3 The Committee meeting agenda, along with any pertinent documents, papers, and information requested by the BSC, will be distributed to BSC members at least five (5) business days prior to each meeting.

## 9.3 Minutes of the Meeting

9.3.1 Following the conclusion of each meeting, the minutes will be distributed promptly. The minutes of Committee meetings will accurately capture the discussions and outcomes, including any dissenting opinions, in a clear, consistent, and comprehensive manner.

9.3.2 The minutes will also document whether any Committee member or invited participants abstained from voting or participating in the discussion of a specific matter.

9.3.3 After the meeting concludes, a draft of the minutes will be:

- a) Shared with all Committee members, or relevant sections of the draft may be provided to management and relevant invited participants to ensure that key actions and directions are appropriately addressed.



- b) Following confirmation of the draft minutes' accuracy by the Committee members and management, the draft minutes will be presented at the subsequent meeting for confirmation and signing. The minutes will be endorsed by the Chairman of the succeeding meeting.

9.3.4 The minutes will be recorded in the minutes Register maintained by the Company Secretary, along with the attendance sheet.

9.3.5 The maintenance of minutes will adhere to the requirements of relevant laws and regulations.

9.3.6 Reproduction or examination of any part of the minutes can only be conducted through the Committee Secretary.

## **10. The Committee's Performance**

10.1 Annually, the Board will assess the Committee's performance and its adherence to the stipulations in its Terms of Reference. This performance evaluation may be included as a component of the annual Board Effectiveness Assessment, which pertains to the evaluation of Board Committees.

## **11. The Committee's Ethics and Procedures**

11.1 Every Committee member must protect all internal communications and regard them as strictly private and confidential, exclusively for the Committee members' use.

11.2 The Committee will collaborate conscientiously with fellow Board members, observing all relevant laws and regulations, and adhering to the guidelines outlined in the Directors' Code of Ethics and Conduct and the Directors' Code of Business Practice.

## **12. Review Of Terms of Reference**

12.1 The Committee's Terms of Reference and work plans will undergo periodic reviews, as needed, particularly when there are alterations to the Listing Requirements and the MCCG, or at a minimum of once every two (2) years.

12.2 Any modifications to the Committee's Terms of Reference require approval from the Board.