

TERMS OF REFERENCE OF THE RISK MANAGEMENT COMMITTEE

1. PURPOSE

The purpose of the Risk Management Committee (the "Committee") is to identify, assess, monitor and manage risk. The Committee is to oversee, report and make recommendations to the Board in respect of financial and non-financial risks faced by the Company.

2. COMPOSITION AND PROCEDURE

- a. The Committee member shall be appointed by the Board from amongst their number and shall consist of not less than three (3) members, a majority of whom shall be independent directors.
- b. No alternate Director shall be appointed as a member of the Committee.
- c. The Chairman of the Committee shall be an Independent Non-Executive Director appointed to the Board.
- d. The Executive Director may appoint and rotate up to two (2) officers of the company to serve on the Committee.
- e. The Committee members shall have the mixture of expertise and experience, including sufficient understanding of the industries in which the Company/Group operated 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 Company/Group.
- f. The Committee members may relinquish their membership in the Committee with prior written notice to the Company Secretary. In the event of any vacancies arising in the Committee resulting in the number of members of the Committee falling below three (3), the vacancy shall be filled soonest possible, but not later than three (3) months from any arising vacancies.
- g. The Committee shall meet at least twice (2) for each financial year to meet its responsibilities. Additional meetings shall be scheduled as considered necessary by the Chairman of the Committee.
- h. The quorum for meetings shall be two (2) members, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak and hear each other. In the absence of the Chairman, the members present shall elect a Chairman from amongst them to Chair the meeting.

- i. A notice of meeting shall be sent no later than two (2) business days prior to such meeting. However, meetings of the Committee may be held without formal notice if all of the members are present and do not object to notice not having been given, or if those absent waive notice in any manner either before or after the meeting.
- j. All resolutions of the Committee shall be adopted by simple majority vote, each member having one vote. In case of equality of votes, the Chairman of the Committee shall have a second or casting vote.
- k. A Committee 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.
- l. The Company Secretary(ies) shall be the Secretary(ies) to the Committee and shall be entrusted to record all proceedings of meetings.

3. AUTHORITY

- a. The Committee is authorized by the Board and at the expense of the Company/Group to perform the following:-
 - Secure the resources in order to perform its duties as set out in the terms of reference.
 - Have direct communication channels with an unrestricted access to Senior Management including without limitation, its information, records, reports, properties and personnel.
 - Instruct the Management to support the Committee in discharging its functions and duties.
 - Obtain outside legal or other professional advice on any matters within its terms of reference.
- b. The Committee is not authorized to implement its recommendations on behalf of the Board but shall make recommendations to the Board on risk related matters for its considerations and implementation.

4. DUTIES AND RESPONSIBILITIES

The main duties and responsibilities of the Committee shall include but are not limited to the following:

- a. provide oversight, direction and counsel to the Company's/Group's risk management assessment and process which include the following:-
 - Conduct annual review and periodic testing of the Company's/Group's Risk Management Assessment.
 - Monitor the Company/Group and Divisional level risk exposures and management of the significant financial and non-financial risks identified.
 - Evaluate new risks identified including the likelihood of the emerging risks happening in near future and consider the need to put in place appropriate controls.
 - Review Company/Group Risk Profile and ensure that significant risks that are outside tolerable ranges are being responded with appropriate actions taken in a timely manner.
 - Review the status of the implementation of management action plans in mitigating significant risks identified.
 - Review and recommend the Company's/Group's level of risk tolerance and actively identify, assess and monitor key business risks to safeguard shareholders' interest and the Company's/Group's assets.
- b. review the risk identification and process to confirm it is consistent with the Company's strategy and business plan;
- c. inquire of management / department heads and the external/internal auditor about significant business, political, financial and control risks or exposure to such risk;
- d. oversee and monitor the Company's documentation of the material risks that the Company faces and update as events change and risks shift;
- e. assess the steps management has implemented to manage and mitigate identifiable risk, including the use of hedging and insurance;
- f. oversee and monitor at least annually, and more frequently if necessary, the Company's policies for risk assessment and risk management (the identification, monitoring, and mitigation of risks); and

- g. review the following, with the objective of obtaining reasonable assurance that financial risk is being effectively managed and controlled:
 - i. management's tolerance for financial risks;
 - ii. management's assessment of significant financial risks facing the Company;
 - iii. the Company's policies, plans, processes and any proposed changes to those policies for controlling significant financial risks; and
 - iv. to review legal matters which could have a material impact on the Company's public disclosure, including financial statements.

5. REPORTING RESPONSIBILITIES

- a. The Committee shall provide to the Board a summary of the Committee's review of the principal risks at least once a year.
- b. The Committee shall make whatever recommendations to the Board it deems appropriate where action or improvement is needed.
- c. The Committee shall, at least once a year, review its own performance, constitution and terms of reference to ensure it is operating effectively and recommend any changes it considers necessary to the Board for approval.

The Composition of the Risk Management Committee is as follows:

Name	Position	Directorship
Chow Hiu Tung	Chairman	Independent Non-Executive Director
Tan Sri Dr. Azmil Khalili bin Dato' Khalid	Member	Non-Independent Non-Executive Director
Tse Man Yin	Member	Executive Director
Yusoff bin Hassan	Member	Independent Non-Executive Director
Yau Shu Shan	Member	Independent Non-Executive Director

BOARD OF DIRECTORS
REACH ENERGY BERHAD

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