

# **INARI AMERTRON BERHAD**

## **Sustainability and Risk Management Committee Terms of Reference**

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### Terms of Reference of the Sustainability and Risk Management Committee

This Terms of Reference sets out the matters concerning the governance of the Sustainability and Risk Management Committee (“SRMC” or the “Committee”).

#### 1. Purpose

- 1.1 The purpose of the SRMC is to assist the Board of Directors (“Board”) in the effective discharge of its primary responsibilities in ensuring that there is a sound system for risk management and effective management of sustainability practices within Inari Amertron Berhad (“Inari” or the “Company”) and its subsidiaries (collectively referred to as the “Group”).
- 1.2 In the exercise of its functions, it is understood that the SRMC is generally not delegated with decision-making powers except otherwise stated in authoritative promulgations but shall report its recommendations to the Board for decision. The existence of the Committee does not diminish the ultimate fiduciary and statutory responsibility of the Board for the decision making related to the functions and duties carried out by the Committee.

#### 2. Authority

- 2.1 The Committee shall have the authority to deliberate and approve on matters within its primary duties and responsibilities set out in this Terms of Reference.
- 2.2 Unless otherwise provided by or subject to any applicable laws or legislative requirements, the Committee shall have the permission to obtain resources needed to fulfil its duties and responsibilities as set out in this Terms of Reference based on an agreed-upon procedure and at the expense of the Group, such as:
  - (a) Full and unrestricted access to information, records, properties and employees of the Group;
  - (b) Full and unrestricted access to advice and services of the Company Secretaries and Senior Management; and
  - (c) To obtain professional and independent advice from external advisors with relevant knowledge and experience, as and when necessary for the performance of its duties.

*(paragraph 15.04 of Main Market Listing Requirements by Bursa Malaysia Securities Berhad)*

#### 3. Composition of the Committee

##### 3.1 Size

- 3.1.1 The size of the Committee shall consist of no fewer than **three (3) members** *(Write up to Practice 10.3 of the Corporate Governance Guide 4<sup>th</sup> Edition by Bursa Malaysia Berhad).*

##### 3.2 Membership

- 3.2.1 Majority of the committee members shall be independent directors . *(Step Up 10.3, Malaysian Code on Corporate Governance).*

##### 3.3 Chairman of the committee

- 3.3.1 The Board shall elect a Chairman from the Committee, whom must be an **Independent Director**.

3.3.2 In the absence of the Chairman, an alternate Chairman shall chair the meeting, of whom should be an **Independent Director**.

3.4 Secretary of the committee

3.4.1 The Secretaries of the Committee shall be the Company Secretaries or their representatives.

#### 4. Appointment of Members

4.1 The Nomination Committee ("NC") in consultation with the SRMC shall recommend the appointment of SRMC members to the Board.

4.2 Members shall be appointed based on their ability to devote time, skills and experience relevant to their duties of SRMC.

4.3 The members serving the Committee shall be changed at appropriate intervals, if deemed necessary. In order to ensure that the entire Committee is not replaced at any one time, such change of members shall be done on a **progressive basis**.

4.4 Members of the SRMC may relinquish their membership in the Committee with prior written notice to the Secretary and may continue to serve as Directors of the Company.

#### 5. Performance Evaluation

5.1 The effectiveness of the SRMC (including skills mix and contribution of members) shall be assessed annually by the NC (*paragraph 15.08A of Listing Requirements of Bursa Malaysia Securities Berhad and Practice 6.1 of the Malaysian Code on Corporate Governance*). The assessment shall be facilitated using self and peer rating by the Chairman of the SRMC and the NC shall discuss the outcome of the assessment with the Chairman of the SRMC.

#### 6. Duties and Responsibilities of the Committee

6.1 Sustainability

6.1.1 Establish effective Sustainability Reporting Framework to identify, analyse, evaluate, manage and monitor significant issues concerning Business Sustainability for the Group in the areas of:

- a) Economic Sustainability
- b) Environmental Sustainability
- c) Workplace Sustainability

6.1.2 Conduct **periodic evaluation** and update on the Sustainability Reporting Framework to continuously improve and ensure its relevance taking into consideration of best practices and changing business environment.

6.1.3 Review the alignment of sustainability efforts undertaken by the Group vis-à-vis the strategic context and expectations of stakeholders.

6.1.4 Oversee the effective management of stakeholder engagement with regards to the pursuit of strategic sustainability goals to better understand and management the Group's sustainability risks and opportunities (*Guidance to Practice 4.1, Malaysian Code on Corporate Governance*).

- 6.1.5 Consider and recommend to the Board on positioning in relation to emerging sustainability issues (*Guidance to Practice 4.1, Malaysian Code on Corporate Governance*).
- 6.1.6 Formalise, periodically review and oversee the implementation of the Group's Sustainability Policy in managing the material matters across the business operations of the Group.
- 6.1.7 Oversee the Group's sustainability performance against the Key Performance Indicators ("KPIs") and strategic plans.
- 6.1.8 Ensure that the Group's sustainability strategies, priorities and targets as well as performance against these targets are communicated to internal and external stakeholders [Practice 4.2 of MCCG].
- 6.1.9 Stay abreast with and understand the sustainability issues relevant to the Group and its business, including climate-related risks and opportunities [Practice 4.3 of MCCG].

## 6.2 Risk Management

- 6.2.1 Establish and ensure that there are effective Risk Management Policy and Guidelines and Group Corruption Risk Management Framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks (including labour risk and health and safety risk) (*Guidance to Practice 1.1 & Practice 10.1, Malaysian Code on Corporate Governance*).
- 6.2.2 Review annually the Group's Anti-Corruption and Bribery Policy and to make recommendations to the Board thereon [*Paragraph 4.3.2(i) of the Guidelines on Adequate Procedures pursuant to Subsection (5) of Section 17A under the Malaysian Anti-Corruption Commission Act 2009*].
- 6.2.3 Conduct periodic evaluation and update on the Risk Management Policy and Guidelines and Group Corruption Risk Management Framework to **continuously improve** and ensure its relevance taking into consideration of best practices and changing business environment.
- 6.2.4 Articulate the Group's risk framework and parameters (through qualitative and quantitative parameters for risk impact and likelihood) for the Group and individual business units so as to gauge acceptability of **risk exposure**.
- 6.2.5 Monitor the alignment of Group's risk framework with an appropriate level and quality of capital in line with the risks inherent in its activities and projected business performance.
- 6.2.6 Oversee the implementation and administration of the Group's Human Resource Policy to ensure respect for human rights and labour standards across all business units.
- 6.2.7 Oversee the implementation and administration of the Group's health and safety practices in ensuring a good work environment across all business units.
- 6.2.8 Ascertain if a sound and effective approach has been followed in establishing the Group's business continuity planning arrangements including business continuity and disaster recovery plans.
- 6.2.9 Monitor changes anticipated for the business environment, including consideration of emerging risks, legislative or regulatory changes, major initiatives and other factors considered relevant to the Group's risk profile and provide report on the same to the Board for overall consideration on the Group's business and operations.

- 6.2.10 Engage with the Group's risk management function in **ongoing risk appetite dialogue** and provide timely input to the Senior Management as business condition changes and new opportunities arise.
- 6.2.11 Encourage a **healthy risk culture** and watch for dysfunctional behaviours which may impair the effectiveness of the risk management process.
- 6.2.12 Review and recommend to the Board of Directors all acquisitions, investments and divestments of companies (excluding dormant companies) and setting up of new business including joint ventures, irrespective of value.
- 6.2.13 Co-ordinate activities with other Board Committees on risk oversight to avoid **overlaps** in the overall risk oversight process.
- 6.3 Work with the C-suite the conduct of **company-wide sustainability framework and risk assessments** by key management staff and Heads of Departments and review the results of the assessments. The assessment process shall consider the potential impact and likelihood of occurrence of the risks, effectiveness of controls in place and action plans taken to manage those risks to the desired level.
- 6.4 Provide feedback to the Board on risk strategies and ensure **constant communication** with the Board on Group's sustainability and risk management issues, including the key risks faced by the Group, their changes and management action plans in managing the risks.
- 6.5 Provide support to the Board on the **review of risk sections** in the annual Corporate Governance Overview Statement, Corporate Governance Report and Statement on Risk Management and Internal Control for disclosure in the annual report (*Practice 10.2 and Guidance to Practice 10.2, Malaysian Code on Corporate Governance*).
- 6.6 Consider and recommend to the Board the assistance from external advisors and internal auditors, when necessary. In such instance, recommend the fees payable, ensure clear establishment of the terms and scope of engagement, and reporting requirements.
- 6.7 Carry out such other responsibilities, functions or assignments as may be defined jointly by the Committee and the Board from time to time.

## 7 Disclosure

- 7.1 The Committee shall provide, in the Group's annual report, an adequate disclosure about the features of its Sustainability Report and Risk Management and Internal Control framework. The Committee shall also provide a statement about its activities in the discharge of its duties for the financial year (*Practice 4.2, Malaysian Code on Corporate Governance*).

## 8 Meetings

- 8.1 Frequency and calling of meetings
  - 8.1.1 Meetings shall be held at least once in every quarter. Additional meeting shall be arranged as and when required.
  - 8.1.2 The Chairman of the Committee shall call for a meeting if requested to do so by the Chairman of the Board or requested by another member of the Committee.

## 8.2 Notice of meetings and information flow

- 8.2.1 The SRMC meeting agendas shall be developed by the Chairman of the SRMC and the Company Secretaries in consultation with the Committee members and Management.
- 8.2.2 Unless otherwise agreed by the members and whenever necessary, the notice of each meeting confirming the venue, date and time together with the brief agenda of the meeting shall be circulated to all members and any other persons who may be required to attend the meeting within a reasonable period prior to the meeting (*Paragraph 4- notice on meetings, Third Schedule of Companies Act 2016 and Practice 1.5, Malaysian Code of Corporate Governance*).
- 8.2.3 The Chairman together with the Company Secretaries shall ensure that sufficient information such as the agenda and accompanying meeting materials for each meeting are circulated within a reasonable period prior to the SRMC meeting to the Committee members and all those who are invited to attend the meeting (*Practice 1.6 of the Malaysian Code on Corporate Governance*).

## 8.3 Quorum and participation

- 8.3.1 The quorum for meetings shall be a minimum **2 (two) members**.
- 8.3.2 The Chairman of the Committee shall chair the Committee meetings. In the absence of the Chairman of the SRMC in a meeting, the members present may elect any one of them to be the chairman of the meeting.
- 8.3.3 Each individual Committee member shall attend at least **50%** of Committee meetings held during the financial year.
- 8.3.4 Senior management and other individuals such as Directors, C-suite at Group level and external advisors may attend the meetings as and when appropriate and necessary upon invitation of the Committee.
- 8.3.5 The meetings shall convene in a face-to-face manner. If a member is unable to be present at the meeting venue, his/her participation through tele/video-conferencing or other appropriate means may be permitted.
- 8.3.6 In appropriate circumstances, the Committee may deal with matters by way of circular resolution in lieu of convening a formal meeting.

## 8.4 Voting

- 8.4.1 A matter put to vote at the Committee meetings shall be decided by a simple majority of the votes cast and in the event of an equality of votes, the Chairman has the casting vote.
- 8.4.2 A member of the Committee who has an interest or is involved directly or indirectly in any matter under consideration by the meeting, shall not participate in the voting process.

## 8.5 Minutes of Meetings

- 8.5.1 The Company Secretaries shall promptly prepare the **written minutes** of the meetings and circulate them in a timely manner to members of the SRMC and to the other members of the Board where issues can be further deliberated where necessary.

- 8.5.2 The minutes of the meetings shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.
- 8.5.3 All members should ensure that the meeting minutes accurately reflect the deliberations and decisions of the Committee, which includes any dissenting comments made and if any Committee members had abstained from voting or deliberating on a particular matter (*Guidance to Practice 1.6, Malaysian Code on Corporate Governance*).
- 8.5.4 The Secretaries shall be responsible for keeping minutes of meetings of the Committee at the registered office of the Company under the custodian of the Company Secretaries, and the minutes of meetings shall be open to the inspection of any member of the RC or any member of the Board.

#### 8.6 Follow up Meetings

- 8.6.1 The Chairman of the Committee meeting shall provide a written or a verbal report of each meeting of the Committee at the next regular Board meeting or as may otherwise be required by the Board.
- 8.6.2 The Chairman of the Committee and/or other Committee members must be available to meet with governmental and regulatory bodies to explain, seek clarification or follow up on any matter deliberated by the Committee at Committee meetings.

### 9 Review and Amendment of Terms of Reference

- 9.1 This Terms of Reference has been endorsed by the Board. It is periodically reviewed and made available on the Company's website. The Board may also review and amend this Terms of Reference as and when it is necessary.
- 9.2 Any revision or amendment to the Terms of Reference, as proposed by the Committee or any third party, shall first be presented to the Board for its approval. Upon the Board's approval, the said revision or amendment shall form part of this Terms of Reference.
- 9.3 The Company Secretaries shall ensure that the provisions of this Terms of Reference continue to comply with corporate governance requirements applicable to Inari and, if necessary, shall suggest amendments to the Terms of Reference for consideration by the Board.

Reviewed and approved by the Board on 23 September 2022.