HO HUP CONSTRUCTION COMPANY BERHAD

197301000497 (14034-W)

TERMS OF REFERENCE

OF

RISK MANAGEMENT AND SUSTAINABILITY COMMITTEE

1.0 Objectives

The objectives of the Risk Management and Sustainability Committee ("**RMSC**") are as follows:-

(a) to assist the Board of Directors ("**Board**") in the effective discharge of its primary responsibilities of identifying principal risks and implementing appropriate systems and risk assessment processes to manage such risks for the Company and its subsidiary ("**the Group**"), in line with the Malaysian Code on Corporate Governance 2021 ("**MCCG 2021**") issued by Securities Commission; and

(b) to assist the Board in fulfilling its oversight responsibilities in relation to the Group's sustainability strategy and initiatives covering economic, environmental, social and governance aspect as well as embedding sustainability practices into the businesses of the Group.

2.0 Composition of the RMSC

The Board shall appoint the RMSC members from amongst themselves, based on the recommendation of the Nomination Committee, comprising no fewer than three (3) members, two (2) of whom must be Independent Non-Executive Directors.

The appointment of a RMSC member shall automatically be terminated if the member ceases to be a Director for any reason whatsoever or as may be determined by the Board. The RMSC members may relinquish their membership in the RMSC with prior written notice to the Company 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.

3.0 Chairman of the RMSC

The Chairman of the RMSC shall be elected from amongst the RMSC members who shall be an Independent Non-Executive Director. The Chairman of the RMSC shall be approved by the Board.

In the absence of the Chairman of the RMSC, the other members of the RMSC shall amongst themselves elect a Chairman who must be an Independent Non-Executive Director to chair the meeting.

The Chairman of the RMSC shall report to the Board on any matter that should be brought to the Board's attention and provide recommendations of the RMSC that require the Board's approval at the Board meeting.

4.0 Authority

The RMSC shall, in accordance with a procedure to be determined by the Board and at the expense of the Company:-

(a) have explicit authority to investigate any matter within its Terms of Reference, the resource to do so, and full access to information. All employees shall be directed to cooperate as requested by members of the RMSC;

(b) have full and unlimited/unrestricted access to all information and documents/resources which are required to perform its duties as well as to the internal and external auditors, Company Secretaries and Senior Management of the Company and Group;

(c) obtain independent professional or other advice and to invite external consultants with relevant experience to attend, if necessary;

(d) conduct or may authorise a third party to conduct specific assessment into any activity or function within the Group so far as it relates to the duties of the RMSC and is in accordance with this Terms of Reference; and

(e) make recommendations to the Board on appropriate actions to be taken, resulting from such assessment.

5.0 Duties and Responsibilities

The duties and responsibilities of the RMSC are as follows:-

5.1 Risk Management

(a) Establish and ensure that there are effective Risk Management Policy to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks (including labour risk and health and safety risk).

(b) Review annually the Group's Anti-Bribery and Anti-Corruption Manual and to make recommendations to the Board thereon.

(c) Conduct periodic evaluation and update on the Risk Management Policy to continuously improve and ensure its relevance taking into consideration of best practices and changing business environment.

(d) 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.

(e) 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.

(f) 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.

(g) Oversee the implementation and administration of the Group's health and safety practices in ensuring a good work environment across all business units.

(h) 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.

(i) 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.

(j) 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.

(k) Encourage a healthy risk culture and watch for dysfunctional behaviours which may impair the effectiveness of the risk management process.

(l) Co-ordinate activities with other Board Committees on risk oversight to avoid overlaps in the overall risk oversight process.

(m) To review and recommend to the Board for approval the Statement of Risk Management and Internal Control.

5.2 Sustainability

(a) To review and assess the Group's sustainability strategies, policies and standards in relation to environment, social and governance including matters such as safety, health, employment, human rights, community affairs and other pertinent sustainability issues of the Group (collectively referred to as "**Sustainability Matters**").

(b) To review the implementation of the Group's Sustainability Matters.

(c) To review regular business updates and reports across the Group on performance against the sustainability strategy.

(d) To provide oversight and approve strategic initiatives in relation to the Sustainability Matters and report to the Board regularly.

(e) To oversee the processes, standards and strategies designed to manage Sustainability Matters covering:

- Review of adoption and effectiveness of all sustainability related policies/standards; and

- Oversee Management processes to ensure compliance with policies/standards.

(f) To review and recommend to the Board for approval the Sustainability Report for Annual Report to ensure that the Group's sustainability initiatives and outcomes are effectively communicated to investors and other stakeholders.

5.3 Work with the Senior Management 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.

5.4 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.

5.5 Provide support to the Board on the review of risk sections in the annual Corporate Governance Overview Statement and Corporate Governance Report for disclosure in the annual report.

5.6 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.

5.7 Carry out such other responsibilities, functions or assignments as may be defined jointly by the RMSC and the Board from time to time.

6.0 Meetings

6.1 Company Secretary

The Company Secretary shall be the Secretary of the RMSC and shall have the following key responsibilities:

(a) Ensure meetings are arranged and held accordingly.

(b) Assist the Chairman in planning the RMSC's activities.

(c) Ensure structured communication between the Board and the RMSC.

6.2 Quorum

The quorum for any meeting shall be two (2) members whom shall be Independent Non-Executive Directors.

6.3 Frequency and attendance

(a) Meetings shall be conducted at least four (4) times a year, or more frequently as circumstances dictate.

(b) Other members of the Board or Senior Management may attend the meetings upon invitation of the RMSC.

(c) Any member of the RMSC may participate in any meeting of the RMSC via telephone conferencing, video conferencing or by means of any communication equipment which allows all persons participating in the meeting to hear each other. A person so participating shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly.

6.4 Voting

(a) A matter put to vote at the RMSC 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.

(b) A member of the RMSC 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.

6.5 Minutes of Meetings

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

(b) 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.

(c) All members should ensure that the meeting minutes accurately reflect the deliberations and decisions of the RMSC, which includes any dissenting comments made and if any RMSC members had abstained from voting or deliberating on a particular matter.

(d) The Company Secretaries shall be responsible for keeping minutes of meetings of the RMSC 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 RMSC or any member of the Board.

6.6 Circular Resolution

A resolution in writing signed by all members shall be valid and effectual as if it had been passed at a meeting of the RMSC. All such resolutions shall be forwarded to the Company Secretary without delay and shall be recorded by the Company Secretary in the minutes book. Any such resolution may consist of several documents in the like form, each signed by one (1) or more members. The expressions "in writing" or "signed" include approval by legible confirmed transmission by facsimile, telegram or other forms of electronic communication.

7.0 Review of the Terms of Office

The Nomination Committee shall review the term of office and performance of the RMSC and each of its members annually to determine whether the RMSC and its members have carried out their duties in accordance with their Terms of Reference.

8.0 Review of the Terms of Reference

The Terms of Reference shall be reviewed and updated by the RMSC on a periodic basis as it deems appropriate for the Board to approve. Such review shall be in line with any regulations that may have an impact on the discharge of the RMSC's responsibilities.