



TERMS of REFERENCE for
BOARD GOVERNANCE
& RISK MANAGEMENT
COMMITTEE

MSM MALAYSIA HOLDINGS BERHAD

Terms of Reference for Board Governance & Risk Management Committee
MSM Malaysia Holdings Berhad



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1. INTRODUCTION

- 1.1. This Board Governance & Risk Management Committee's Terms of Reference ("TOR" or the "Terms of Reference") sets out the requirements of the Board of Directors of MSM Malaysia Holdings Berhad towards the establishment of a Board Governance & Risk Management Committee, and the delegation of responsibilities to such committee, as at the date hereof.
- 1.2. Unless otherwise stated, in this Terms of Reference, the following shall apply:
 - 1.2.1 "MSM" or "the Company" refers to MSM Malaysia Holdings Berhad;
 - 1.2.2 "the Group" refers to MSM Malaysia Holdings Berhad Group of Companies¹;
 - 1.2.3 "the Board" refers to the Board of Directors of the Company; and
 - 1.2.4 "BGRMC" or "the Committee" refers to the Board Governance & Risk Management Committee of MSM.
- 1.3. Senior Management refers to the direct reports of the President/Group Chief Executive Officer which includes the Group Chief Financial Officer, Chief Technical Officer, Chief Operating Officer and Subsidiaries Chief Executive Officer.
- 1.4. The Terms of Reference aims to guide MSM's BGRMC with respect to its delegated responsibilities to assist the Board in fulfilling the Board's statutory and fiduciary responsibilities in relation to governance, ethics & integrity and risk management. In addition, the Terms of Reference also recognizes and aims to adopt related better practices and guidance from the following documents:
 - 1.4.1. The Malaysian Code on Corporate Governance 2012, ("MCCG 2012" or the "Code"), which provides Principles and Recommendations promulgating good corporate governance practices and accountability of companies and their Boards of Directors;
 - 1.4.2. The Corporate Governance Guide – Towards Boardroom Excellence, 2nd Edition ("the Guide") issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia") in 2013, which is designed to help directors understand their roles and duties to the company and its stakeholders ; and
 - 1.4.3. Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.
- 1.5. The Terms of Reference shall be assessed and reviewed at least once annually and updated as necessary, especially when there are changes to the Listing Requirements and MCCG 2012. Any change to the Terms of Reference shall be recommended to the Board for its approval.

2. PURPOSE

- 2.1. The purpose of the Committee is to assist the Board in fulfilling its statutory and fiduciary responsibilities in relation to governance, ethics & integrity and risk management.

¹ MSM Group includes MSM's operating subsidiaries, associates and jointly-controlled entities in which MSM holds a controlling interest, as established under the corporate structure of MSM Malaysia Holdings Berhad

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- 2.2. The existence of the Committee does not diminish the Board's ultimate statutory and fiduciary responsibility for decision-making relating to the functions and duties of the Committee.

3. MEMBERSHIP

- 3.1. The Committee membership and the Chairman of the Committee shall be appointed by the Board of MSM, and shall comprise of not less than three (3) members whom shall be appointed from amongst the Directors of MSM Board
- 3.2. Majority of the Committee members must be independent Non-Executive Directors.
- 3.3. No Alternate Director shall be appointed as a member of the Committee.
- 3.4. Each of the Committee member must:
- 3.4.1. have a reasonable knowledge of the Group's operations and performance;
 - 3.4.2. have experience or knowledge pertaining to the subjects of governance and risk management; and
 - 3.4.3. dedicate the necessary time and attention to the execution of responsibilities and duties of the Committee.

4. QUORUM

- 4.1. In order to form a quorum for the Committee meeting at least two (2) of the members of the Committee must be present at the meeting with at least one (1) of them is Independent Non-Executive Director.
- 4.2. The Chairman of the Committee must be present at all Committee meetings.

5. AUTHORITY

- 5.1. The Board has authorized the Committee, within scope of its duties and responsibilities set out in this TOR to:
- 5.1.1. perform the activities required to discharge its responsibilities within its Terms of Reference and make relevant recommendations to the Board;
 - 5.1.2. investigate any activity or matter within its Terms of Reference;
 - 5.1.3. acquire the resources required to perform its duties;
 - 5.1.4. have full and unrestricted access to anyone in the Group in order to conduct any investigation and any information pertaining to the Group;
 - 5.1.5. have full and unrestricted access to information pertaining to the Groups, their records, properties and personnel;
 - 5.1.6. obtain relevant internal and external professional advice as it deems necessary to assist the Committee in the proper discharge of its roles and responsibilities, at the expense of the Company and in accordance with the delegation of authority of the Committee; and

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5.1.7. meet exclusively amongst itself, whenever deemed necessary.

5.2. The Committee shall be assisted by the Group President /CEO and the Governance, Risk Management & Compliance to drive the governance, ethics & integrity and risk management programs across the Group.

6. CHAIRMAN OF THE COMMITTEE

6.1. The Chairman of the Committee must be an Independent Non-Executive Director.

7. SECRETARY OF THE COMMITTEE

7.1. The MSM Company Secretary shall be the Secretary of the Committee.

7.2. The Secretary of Committee or with the approval of the Committee, a representative of the MSM Company Secretary shall be present to record proceedings of the Committee meetings.

7.3. The Secretary of the Committee shall have the following responsibilities:

7.3.1. Ensure meetings are arranged and held accordingly;

7.3.2. Assist the Chairman of the Committee in planning the Committee's activities for the financial year;

7.3.3. Draw up meeting agenda in consultation with Chairman of the Committee and circulate the agenda, together with the relevant papers, at least seven (7) days prior to each of the Committee meeting;

7.3.4. Ensure structured communications between the Board and the Committee;

7.3.5. Ensure proceedings of meetings are minuted and endorsed by the Chairman of the Committee before disseminating them to all Board members; and

7.3.6. Ensure the Committee's recommendations presented to the Board are supported by explanatory papers, including report of the Committee or minutes that explain the rationale of the Committee's recommendations.

8. RESPONSIBILITIES AND DUTIES

8.1. The main responsibility of the Committee is to direct and oversee the formulation of a structured mechanism in the Group to inculcate a strong governance, ethical, integrity and risk management culture within the Group.

8.2. The Committee's responsibilities shall include the review of the following areas and report of the same to the Board

8.2.1. Governance

In relation to governance, the Committee shall perform the following:

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- i. Directs and oversees the formulation of the Group's governance framework with a view to inculcate an ethical environment and promulgate good governance practices consistent with the Board's risks appetite, guided by Recommendations of the MCCG 2012;
- ii. Directs and oversees the formulation of the Group's programs and policies to support the implementation of the Group's governance framework and endorse the blueprints and policies for the Board's approval;
- iii. Reviews reports on the status and availability of related procedures by the Group's operations and subsidiaries in implementing the Group's policies;
- iv. Monitors the status and progress of formulation and implementation of the related governance framework, blueprints and policies and report accordingly to the Board; and
- v. Recommends to the Board the approval of, and/or amendments to, the Group governance framework, blueprints and policies.

8.2.2. Ethics & Integrity

- a. In relation to ethics & integrity, the Committee perform the following:
 - i. oversees and maintains the Code of Ethics & Conduct and Code of Business Practice which shall be applicable to MSM Board, MSM Board Committees and MSM Subsidiary Boards;
 - ii. oversees and maintains the Group's Code of Ethics & Conduct (Employees) which shall be applicable to all employees, consultants or business partners of the Group; and
 - iii. directs and oversees the Group's Ethics & Integrity.

8.2.3. Risk Management

- a. In relation to risk management, the committee shall perform the following:
 - i. directs and oversees the formulation of the Group's overall enterprise risk management framework and strategies, including policies, procedures, systems, capability and parameters to identify, assess and manage risks to ensure their relevance and appropriateness to the Group's position and business;
 - ii. reports, advises and recommends to the Board, the overall risk appetite, tolerance and strategy on managing business risks;
 - iii. reports to the Board, key business risks and seeks its approval on the management of key business risks that are aligned to the Group's risk appetite;
 - iv. monitors the effectiveness and progress of management of key business risks and accordingly reports to the Board the status of the key business risks; and
 - v. recommends to the Board, the approval of, and/or amendments to the Group risk management framework and strategies, including policies, procedures, systems, capability and parameters, as relevant.

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- 8.2.4 In relation to Governance and risk reporting to the shareholders and relevant authorities, the Committee shall perform the following:
- i. Reviews any reporting of matters relating to the Group's governance, ethics & integrity and risk management to the shareholders and relevant authorities.
 - ii. Reviews the relevant statements for inclusion in the Company's Annual Report, including the Statement on Risk Management and Internal Control Statement, Statement on Corporate Governance and recommends to the Board for approval.
- 8.3 The Committee shall ensure consistency and alignment with its Holding Company, in any framework, policies and structure relating to governance, ethics, integrity and risk management in execution of its responsibilities and duties above.
- 8.4 The Committee shall undertake any such other functions as may be determined by the Board from time to time.

9. REPORTING

- 9.1 The Committee shall report to the Board on matters considered and its recommendations thereon, pertaining to the Group through:
- 9.1.1 copies of minutes of each meeting of the Committee, supported by explanatory papers, being circulated to all Board members once endorsed by the Chairman of the Committee; and
 - 9.1.2 the Chairman of the Committee drawing to the Board's attention any matter of major importance
- 9.2 At the discretion of the Chairman and members of the Committee, any relevant matters deemed to be of major importance should be referred to the Board for its attention.
- 9.3 The Committee shall be responsible in ensuring the Company discloses in its annual report the Statement on Risk Management and Internal Control and the Statement on Corporate Governance for the financial year, pursuant to the Listing Requirements.

10. MEETINGS ADMINISTRATION

- 10.1 **Frequency and attendance**
- 10.1.1 The Committee meetings shall be conducted at least four (4) times annually, or more frequently as circumstances dictate.
 - 10.1.2 The Chairman of the Committee, in consultation with the Secretary of the Committee, shall determine the frequency of the Committee meeting and discuss the schedule of meetings with the members of the Committee.
 - 10.1.3 In addition to the regular scheduled meeting, the Chairman of the Committee shall call a meeting of the Committee if so requested by any member of the Committee or by the Chairman of the Board.

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- 10.1.4 Resolutions of the members of the Committee at a meeting or adjourned meeting of the Committee shall be adopted by a majority of votes of all members present. In the event matters requiring the Committee's decision arise between meetings, such matters shall be resolved through Directors' Circular Resolution (DCR) which shall be supported by relevant papers setting out details of the subject matters. The members of the Committee may obtain more information from Management and express their view points by facsimile, electronic mail or any other means of telecommunication before arriving at a decision on the subject matter. All such resolutions shall be submitted for confirmation on at a meeting of the Committee following the passing of the Directors' Circular Resolution
- 10.1.5 The Committee meeting shall normally be conducted in a face-to-face manner to enable effective discussion. Nevertheless, if a member of the Committee is unable to be physically present, the member may choose to participate via video or tele-conferencing, or other appropriate means as determined by the Committee.
- 10.1.6 In addition to the members of the Committee, other Directors of the Board, other executives of the Group, and/ or any party which the Committee deems necessary may attend the Committee meetings upon invitation of the Committee. Participation of invitees may not be required for the full duration of the Committee meeting.
- 10.1.7 The Head of the Governance, Risk Management & Compliance shall be invited to attend the Committee meetings to report on the Group's enterprise governance and risk management. Participation from the Head of the Governance, Risk Management & Compliance Department may not be required for the full duration of the meeting.
- 10.1.8 Other executives of the Group and/or external parties may be invited to attend the Committee meeting as the Chairman of the Committee and members of the Committee deem fit.
- 10.1.9 Any of the Committee member or invited participant with conflicting of interest should abstain from the said discussion and must not be physically present during the discussion. The member of the Committee shall abstain and excuse himself / herself from the Committee meeting during discussions or deliberations of any matter which gives rise to an actual or perceived conflict of interest situation for him/her
- 10.1.10 The Chairman of the Committee shall exercise the right to request those who are in attendance to leave the room if matters discussed are confidential or may be impaired due to the presence of individuals concerned.
- 10.2 Notice and agenda**
- 10.2.1 Proper notice shall be issued for any of the Committee meeting and the Chairman of the Committee shall ensure that proper agenda is prepared for the Committee meeting.
- 10.2.2 The agenda and relevant papers for the Committee meeting must be circulated at least seven (7) days prior to the Committee meeting.
- 10.3 Minutes of the meeting**
- 10.3.1 The discussions and conclusions of the Committee meetings should be minuted, in a clear, accurate, consistent, complete and timely manner.
- 10.3.2 The minutes shall be entered into the minutes Register kept by the MSM Company Secretary together with the attendance sheet.
- 10.3.3 Keeping of the minutes must comply with the requirements of the relevant laws and regulations, e.g. Companies Act, 1965 and Income Tax Act, 1967.

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- 10.3.4 Reproduction of any part of the minutes can only be performed through/by the MSM Company Secretary.

11. COMMITTEE'S PERFORMANCE

- 11.1 The Board shall evaluate annually the Committee's performance and extent to which the Committee has met the requirements of its Terms of Reference, including the terms of office and performance of the Committee and each of its members. This performance assessment may constitute a part of the annual Board Effectiveness Assessment, pertaining to the assessment of Board Committees.

12. COMMITTEE'S ETHICS AND PROCEDURES

- 12.1 All members of the Committee shall safeguard all internal communications and treat them as strictly private and confidential, and for the use of the Committee members only.
- 12.2 The Committee shall work diligently amongst the members of the Board and adhere to all applicable laws and regulations as well as the prescriptions rendered in the Directors' Code of Ethics & Conduct and the Code of Business Practice.

13. REVIEW OF TERMS OF REFERENCE

- 13.1 The Committee's Term of Reference and work plan shall be reviewed periodically, between one (1) to three (3) years as and when required, especially when there are changes to the Listing Requirements and MCCG 2012..
- 13.2. All amendments to the Terms of Reference of the Committee must be approved by the MSM Board.