

INARI AMERTRON BERHAD

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 of identifying principal risks, implementing and ensuring there are appropriate risk assessment system and process within Inari Amertron Berhad (“Inari” or the “Company”) and its subsidiaries (collectively referred to as the “Group”); and
- 1.2 In the exercise of its functions, it is understood that the Sustainability and Risk Management Committee is not delegated with decision-making powers 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; and
- 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 consists no fewer than three (3) members.

3.2 Membership

- 3.2.1 Majority of the committee members shall be independent directors *(Step Up 9.3, Malaysian Code on Corporate Governance)*.

3.3 Chairman of the committee

- 3.3.1 The Chairman of the Committee shall be elected among the committee members, who is 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; and
- 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.

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 5.1 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 Establish and ensure that there are effective Risk Management Policy and Guidelines to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks (*Guidance to 1.1 & Practice 9.1, Malaysian Code on Corporate Governance*).
- 6.2 Establish effective Business Sustainability Framework to identify, analyse, evaluate, manage and monitor significant issues concerning Business Sustainability for the Group in the areas of:
 - 6.2.1 Economic Sustainability
 - 6.2.2 Environmental Sustainability
 - 6.2.3 Workplace Sustainability
- 6.3 Conduct periodic evaluation and update on the Sustainability Framework and Risk Management Policy and Guidelines to continuously improve and ensure its relevance taking into consideration of best practices and changing business environment;
- 6.4 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;
- 6.5 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;
- 6.6 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;

- 6.7 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;
- 6.8 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;
- 6.9 Co-ordinate activities with other Board Committees on risk oversight to avoid overlaps in the overall risk oversight process; and
- 6.10 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.

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 9.2 and Guidance to Practice 9.2, 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; and
- 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 Secretaries shall draw up an agenda for each meeting, in consultation with the Chairman of the Committee; and
- 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*).

8.3 Quorum and participation

- 8.3.1 The quorum for meetings shall be 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; and
- 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; and
- 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 Secretaries shall promptly prepare the written minutes of the meeting and distribute it to each member in a timely manner. The minutes of the Committee shall be confirmed and signed by the Chairman of the Committee;
- 8.5.2 All members should ensure that the meeting minutes accurately reflect the deliberations and decisions of the Committee, which includes any dissenting comments made (*Guidance to Practice 1.5, Malaysian Code on Corporate Governance*); and
- 8.5.3 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.

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; and

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; and
- 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.

Date: 28 August 2018