SIME DARBY PROPERTY BERHAD

Registration No. 197301002148 (15631-P)

RISK MANAGEMENT COMMITTEE

TERMS OF REFERENCE

(Updated as at 25 May 2023)

Contents

1. PURPOSE

1.1 The Risk Management Committee ("RMC") is established as a committee of the Sime Darby Property Berhad ("Sime Property") Board of Directors ("the Board"). The RMC supports the Board by setting and overseeing the Risk, Compliance and Integrity Management Frameworks of the Sime Property group of companies ("Group") and regularly assessing such Frameworks to ascertain its adequacy and effectiveness. The RMC's objectives are as follows:

1.1.1 to review and recommend the Group's Risk, Compliance and Integrity Management Framework, plans, policies and strategies for the Board's approval.

1.1.2 to review major investment business cases and management's assessment of the key associated risks, including funding options, costs and investment returns for investment outside the Group's current business lines prior to the Board's approval.

1.1.3 to monitor the implementation of post-spend transactions in accordance with established thresholds in the approved Group Limits of Authority, which includes capital expenditure, major acquisitions and disposals that have been approved by the Board.

1.1.4 to provide oversight, direction, and counsel over key risk areas of the Group which include but not limited to information technology and digitalisation, sustainability and business continuity management of the Group.

2. COMPOSITION AND APPOINTMENT

2.1 Size

2.1.1 The RMC members shall be appointed by the Board from amongst their number and shall consist of not less than four (4) members.

2.2 Membership

2.2.1 No alternate Director shall be appointed as a member of the RMC.

2.2.2 The RMC members shall have a mixture of expertise and experience, including sufficient understanding of the industries in which the Group operates 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 Group.

2.3 Chairman of the Committee

2.3.1 The Chairman of the RMC shall be an Independent Non-Executive Director appointed by the Board.

2.4 Appointment of members

2.4.1 The Nomination and Remuneration Committee ("NRC") in consultation with the RMC shall recommend the appointment of the RMC members to the Board.

3. AUTHORITY

3.1 The RMC is authorised by the Board and at the expense of the Group to perform the following:

3.1.1 Secure the resources in order to perform its duties as set out in its terms of reference.

3.1.2 Have direct communication channels with and unrestricted access to Senior Management including without limitation, its information, records, reports, properties and personnel.

3.1.3 Instruct Group Risk Management ("GRM") and Group Compliance Office ("GCO") to perform duties as necessary to support the RMC in discharging its functions and duties. The Chief Risk and Compliance Officer is accountable to the RMC and shall have direct access to the Chairman of the RMC, if necessary.

3.1.4 Obtain external legal or other independent professional advice as necessary.

3.2 The RMC is not authorised to implement its recommendations on behalf of the Board but shall make recommendations to the Board on risk-related matters for its consideration and implementation.

4. FUNCTIONS AND DUTIES

The main functions and duties of the RMC shall include but are not limited to the following:

4.1 Risk Management Process

Provide oversight, direction and counsel to the Group's risk management process which includes the following:

4.1.1 Establish the Group's Risk Management Framework based on an internationally recognised risk management framework.

4.1.2 Conduct an annual review and periodic testing of the Group's Risk, Management Framework. This should include any insights it has gained from the review and any changes made to the respective management framework arising from the review.

4.1.3 Establish and periodically review the Group Risk Management guidelines and policies and ensure implementation of the objectives outlined in the policies and compliance with them.

4.1.4 Recommend for the Board's approval the Group's risk management framework, policies, strategies, key risk indicators and risk tolerance levels, and any proposed changes thereto.

4.1.5 Provide recommendations to the Board, at least once every two (2) years, on the risk strategy, parameters of the Group's risk-reward trade-off, monitor the alignment of the Group's risk profile with the risk appetite and ensure that the Group maintains an appropriate level and quality of capital in line with the risks inherent in its activities and projected business performance.

4.1.6 On an annual basis, engage management in an ongoing risk appetite dialogue as conditions and circumstances change and new opportunities arise.

4.1.7 Ensure that Management (i.e. head of business function and support units) are tasked with roles and responsibilities in the risk management process and that risk management is embedded into the business operations of the group and is responsive to changes in the business environment.

4.1.8 Monitor the Group level risk exposures and management of the significant financial and non-financial risks identified.

4.1.9 Review the strategies and controls pertaining to the transfer of insurable risks, and the adequacy of coverage of such risk, vis-à-vis the risk appetite and the risk profile of the group.

4.1.10 Actively identify, assess and monitor key business risks to safeguard shareholders' investments and the Group's assets.

4.1.11 Evaluate new risks identified by GRM including the likelihood of the emerging risks happening in the future and consider the need to put in place the appropriate controls.

4.1.12 Review the Group Risk Profile and ensure that significant risks that are outside tolerable ranges are being responded with appropriate actions taken in a timely manner.

4.1.13 Review the status of the implementation of management action plans in mitigating significant risks identified.

4.1.14 On an ad-hoc basis, review specific operational segments of the group that may be posing unusual significant risks that may have a material impact on the risk profile of the group and review reports on any material breaches of risk limits and the adequacy of the proposed action.

4.1.15 Evaluate the effectiveness of the GRM management processes and support system to identify, assess, monitor and manage the Group's key risks.

4.1.16 Set reporting guidelines for management to report to the Committee on the effectiveness of the Group's management of its business risks.

4.1.17 Ensure appropriate information systems are in place to facilitate the timely and reliable reporting of risks and the integration of information across the group in order for remedial actions to be taken so that the effect of uncertainties on fulfilling business goals and objectives are minimised.

4.1.18 Ensure effective communication and risk management training programmes are in place to create awareness and reinforce key risk management concepts and promote risk culture.

4.1.19 Hold joint meetings (frequency as deemed appropriate) together with the Audit Committee (“AC”) to discuss non-financial risks that may have an impact on the financial reporting of the Group and together with AC, external auditors and internal auditors to review the significant risks and exposures that exist and assess the steps that the Management has taken to minimise such risk to the Group.

4.1.20 Annually receive written assurance which is signed off by the senior management personnel on whether the group’s risk management and internal control system is operating adequately and effectively and report the same to the Board.

4.1.21 Direct special investigations, on behalf of the Board, into significant risk management activities, as and when necessary.

4.1.22 To conduct investigations on any matters within this terms of reference as authorised by the Board.

4.2 Major Investments

Review all major investment and project business cases in accordance with established thresholds in the approved Group Limits of Authority, focusing on the following:

4.2.1 Evaluate the risks associated with funding options and costs, and investment returns and making its recommendation to the Board for approval of the investment or project.

4.2.2 Advise the Board on potential risk response strategies that need to be adopted in relation to a decision to proceed with the investment or project.

4.2.3 Monitor the execution / operationalisation of investments or projects and highlighting key risks to the Board as relevant.

4.2.4 Review the effectiveness of risk-mitigating actions post-approval for major investments and projects based on GRM assessments and reporting the same to the Board.

4.2.5 Review actual financial and operational performance of investments or projects against projected returns (i.e. return on investment, implementation timelines), and reporting the same to the Board.

4.2.6 Review investment proposals considered significant including:

- New lines of business (defined as businesses outside existing sectors, expansion across industry value chains within current sectors and new franchises); or

- New territories and countries (defined as expansion of existing businesses into new markets/ territories).

4.2.7 Ensure the appropriate and relevant risks have been adequately addressed by Management for any proposed new product launches or investments in new business areas. Such proposals shall be signed off by the Management (i.e. head of business, function and support units) prior to submission to the Chief Risk, Integrity and Compliance Officer.

4.3 Compliance and Integrity Management Process

Provide oversight, direction and counsel to the Group’s Compliance and Integrity management process which includes the following:

4.3.1 Establish the Group’s Compliance and Integrity Management Framework based on an internationally recognised risk management framework.

4.3.2 Conduct periodic review and testing of the Group’s Compliance and Integrity Management framework, guidelines and policies ensure implementation of the objectives outlined in the policies and compliance with them. This should include any insights it has gained from the review and any changes made to the respective management framework arising from the review.

4.3.3 Review and monitor the implementation of compliance and integrity activities as that relate to the Compliance and Integrity Management Frameworks.

4.3.4 Evaluate the effectiveness of GCO structure, management processes and support system to identify, assess, monitor and manage the Group’s key compliance risks.

4.4 Information Technology and Digitalisation

4.4.1 Review information technology ("IT") and digitalisation risks such as hardware and software failure, spam, viruses and malicious attacks, and how such risks can be managed when undertaking any new activities, including but not limited to any investment decision, merger and acquisition, adoption of new technology and outsourcing arrangements.

4.5 Business Continuity Management ("BCM")

4.5.1 Provide oversight and direction to the Group's business continuity management, which includes the following:

- Oversee and recommend the business continuity framework, policies and practices of the Group, based on internationally recognised standards and relevant regulations.

- Ensure that the Group's business continuity framework is continuously reviewed and updated to capture changes in business environment, and process improvement opportunities.

4.5.2 Ensure that the BCM is comprehensive and effective in identifying and addressing material risks.

4.5.3 Review the strategies and processes pertaining to BCM or disaster recovery plan.

4.5.4 Benchmark BCM practices of the group against international recognised standards.

4.6 Corporate Governance Disclosures

4.6.1 Review the statement on risk management and internal control in the Group's Annual Report to ensure that relevant information as prescribed in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR") is disclosed. Disclosure in the annual report should include a discussion on how key risk areas such as finance, operations, regulatory compliance, reputation, cyber security and sustainability were evaluated and the controls in place for the Group to mitigate and manage those risks.

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

4.7 Risk Management Function

4.7.1 Review and recommend to the Board on the appointment, remuneration, termination, and redeployment of the Chief Risk, Integrity and Compliance Officer.

4.7.2 Engage privately with the Chief Risk, Integrity and Compliance Officer on a periodic basis to provide opportunity for the Chief Risk, Integrity and Compliance Officer to discuss issues faced by the Group Risk Management (“GRM”).

4.7.3 Review the annual performance evaluation of the Chief Risk, Integrity and Compliance Officer jointly with the Group Managing Director.

4.7.4 Review the key performance indicators of the GRM.

4.7.5 Review reports on any material breaches of risk limits and the adequacy, timeliness and effectiveness of any corrective action taken by the GRM in response to risk and provide timely input to the GRM on critical risk issues.

4.7.6 Ensure adequate infrastructure, resources, and systems are in place for effective risk management. This includes ensuring that the staff are experienced and qualified employees who are sufficiently independent to perform their duties objectively.

5. MEETINGS

5.1 Frequency

5.1.1 The RMC shall meet at least quarterly in a financial year. Additional meetings shall be scheduled as considered necessary by the Chairman of the RMC.

5.1.2 The Chief Risk, Integrity and Compliance Officer shall attend meetings of the RMC as a permanent invitee. Other members of Management may attend the meetings by invitation of the RMC.

5.2 Notice and Agenda

5.2.1 The Secretary shall issue and circulate the notice of the RMC meetings confirming the venue, time and date and the agenda of the meeting at least five (5) days before each meeting to the RMC committee members and all those who are required to attend the meeting.

5.2.2 The agenda for each meeting including relevant documents and information requested by the RMC shall be circulated at least five (5) working days before each meeting to the RMC members and all those who are required to attend the meeting.

5.2.3 The RMC meeting agendas shall be the responsibility of the Chairman with input from the RMC members and GRM. The Chairman may also invite other members of Management and other persons to participate in this process, if necessary.

5.3 Quorum

5.3.1 The quorum for a meeting of the RMC shall be three (3) members. In the absence of the Chairman, the members present shall elect a Chairman from amongst them to Chair the meeting.

5.4 Meeting Mode

5.4.1 A meeting of the RMC shall normally be conducted face-to-face to enable effective discussion; however, meetings may also be conducted via telephone conferencing, video conferencing or other appropriate means as determined by the RMC.

5.4.2 Minutes of all RMC meetings shall be confirmed by the RMC Chairman or Chairman of the meeting and circulated to all members. The minutes of such a meeting signed by the RMC Chairman or Chairman of the meeting shall be conclusive of any meeting conducted as aforesaid.

5.4.3 The RMC may from time to time and if deemed appropriate, consider and approve and/or recommend relevant matters via a Circular Resolution in writing, in lieu of formally convening a meeting. The Circular Resolution shall be as valid and effectual as if it has been passed by a meeting of the RMC duly convened. Approval of RMC obtained by an RMC Circular Resolution must be signed or approved by all RMC members subject to 5.5.2.

5.5 Voting

5.5.1 All resolutions of the RMC shall be adopted by a simple majority vote, each member having one vote. In case of equality of votes, the Chairman of the RMC shall have a second or casting vote.

5.5.2 An RMC 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.

5.6 Meeting Minutes

5.6.1 The minutes of the meeting shall be action-oriented and record the deliberations and decisions of the RMC. Minutes shall include compiled Board instructions as Matters Arising for discussion at each RMC meeting to ensure proper follow-through.

5.6.2 Minutes shall be distributed to RMC members and shall be approved by the Chairman of the meeting at which the proceedings are held or by the Chairman of the next succeeding meeting.

5.6.3 Copies of minutes of each meeting shall be distributed to all members of the Board.

5.6.4 The RMC, through its Chairman, shall update the Board on the activities undertaken by the RMC at each Board meeting.

5.6.5 The reports and minutes of each RMC meeting shall be tabled and presented to the Board during the subsequent Board meeting to keep them informed and updated on the key issues deliberated by the RMC, clearly demonstrating the RMC’s decisions which necessitate Board’s approval or ratification.

5.6.6 Management shall be provided with the relevant minutes and Matters Arising for follow-up on key actions required.

5.7 Secretary

5.7.1 The Secretary to the RMC shall be the Company Secretary or a person recommended by the Company Secretary and approved by the Board.

5.7.2 The Secretary shall organise and provide assistance at RMC meetings and have the following key responsibilities:

- Ensure meetings are arranged and held accordingly;
- Assist the Chairman in planning the RMC's activities;
- Draw up meeting agendas in consultation with the RMC Chairman and maintain the minutes and draft its scheduled activities for the financial year;
- Ensure structured communication channels between the Board and the RMC;
- Ascertain at the beginning of each meeting, the existence of any conflicts of interest, if any and minute them accordingly;
- Ensure proceedings of meetings are recorded and the minutes circulated in a timely manner, and reviewed by the RMC before disseminating them to the Board; and
- Ensure RMC recommendations presented to the Board are supported by papers that explain the rationale for the RMC's recommendations.

6. ANNUAL PERFORMANCE ASSESSMENT

6.1 The RMC shall perform a self-assessment annually to assess its effectiveness in carrying out the duties as set out in this terms of reference and report the results to the Board.

6.2 The Board shall review the composition, performance and effectiveness of the RMC and each of its members annually to ensure that the Committee has the right composition, and sufficient, recent and relevant skills and expertise to effectively fulfil their roles.

6.3 All such assessments shall be properly documented.

7. REVIEW OF THE TERMS OF REFERENCE

7.1 The RMC shall recommend any changes to its terms of reference in such manner as the RMC deems appropriate to the Board for approval. The terms of reference shall be assessed, reviewed and updated where necessary i.e. when there are changes to the Malaysian Code on Corporate Governance, MMLR or any other regulatory requirements. It should also be reviewed and updated when there are changes to the direction or strategies of the Group that may affect the RMC's role.