



**HENGYUAN REFINING COMPANY BERHAD**  
**196001000259 (3926-U)**

**BOARD RISK MANAGEMENT COMMITTEE**  
**TERMS OF REFERENCE**

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## **1. PURPOSE**

- 1.1 The Board Risk Management Committee ("BRMC") of Hengyuan Refining Company Berhad (the "Company") is established as a sub-committee of its Board of Directors ("Board") with the following primary objectives:
- 1.1.1 To ensure comprehensive risk management framework and policies are set up to identify and measure the potential impact of the Company's key business risks, and to counter such threats and take advantage of opportunities arising from the identified risks;
  - 1.1.2 To set out the responsibility and scope of authority of the Company's risk management;
  - 1.1.3 To oversee, review and regularly assess and evaluate such risk management framework, policies and strategies as well as the necessary internal controls to ascertain their adequacy and effectiveness.
  - 1.1.4 To oversee, review, regularly assess and evaluate the adequacy of the Company's awareness program on business integrity and the effectiveness of the integrity system based on ISO 37001 Anti-Bribery Management System.

## **2. COMPOSITION AND APPOINTMENT**

- 2.1 The BRMC members shall be appointed by the Board from amongst their number and shall consist of not less than three (3) members, a majority of whom shall be Independent Directors.
- 2.2 No alternate Director shall be appointed as a member of the BRMC.
- 2.3 The Chair of the BRMC shall be a Non-Executive Director appointed by the Board.
- 2.4 The BRMC members shall have a mixture of expertise and experience, including sufficient understanding of the industries or business in which the Company operates in order to challenge and facilitate robust discussions on the management of the Company's key risk areas, with the ability to anticipate, assess and mitigate potential future risks to the Company.

- 2.5 The BRMC members may relinquish their membership in the BRMC with prior written notice to the Board. In the event of any vacancy arising in the BRMC resulting in the number of members of the BRMC falling below three (3), the vacancy shall be filled as soon as possible, but not later than three (3) months from the date the vacancy arose.

### **3. AUTHORITIES OF THE BRMC**

- 3.1 The BRMC is authorised by the Board and at the expense of the Company to perform the following:

3.1.1 Secure the resources in order to perform its duties as set out in this Terms of Reference.

3.1.2 Have direct communication channels with and full and unrestricted access to information pertaining to the Company and senior management including without limitation, its information, records, reports, properties and personnel which are required to perform its duties. All employees are directed to cooperate with any request made by the BRMC.

3.1.3 Instruct the management to perform duties as necessary to support the BRMC in discharging its functions and duties. The Risk and Integrity Officer is accountable to the BRMC and shall have direct access to the Chair of the BRMC.

3.1.4 Engage or otherwise obtain external legal or other independent professional advice as necessary at the expense of the Company with prior consent of the Board, to perform its duties.

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

### **4. FUNCTIONS AND DUTIES**

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

- 4.1 Report to the Board and to provide oversight, direction and counsel with regard to the Company's governance and management of risk which includes the following:
- 4.1.1 Establish an effective risk management framework including reporting guidelines, policies, strategies, key risk indicators and risk tolerance levels and any changes thereto and recommend such framework for the Board's approval. The risk management framework adopted is based on an internationally recognised framework.
  - 4.1.2 Periodically test and at least annually review, assess and evaluate the quality, integrity and effectiveness of the Company's internal control and risk management framework, including compliance with applicable laws, rules, corporate governance recommendations and guidelines to ensure that the risk control and risk management framework is always maintained at an optimal level to identify, assess, monitor and manage the Company's key risks.
  - 4.1.3 Ensure that a systematic and comprehensive evaluation of the key risk areas such as finance, operations, Company's reputation, cyber security, regulatory compliance and sustainability are conducted and that controls are in place to mitigate and manage those risks. To recommend any changes or improvements that are necessary for the Board's approval.
  - 4.1.4 Review the Company's risk appetite and risk tolerance to ensure that significant risks including material sustainability risks that are outside tolerable ranges are being responded with appropriate actions taken in a timely manner.
  - 4.1.5 Ensure compliance and implementation of the risk strategies and controls in accordance with the risk management framework are in place.
  - 4.1.6 Review management reports on the implementation and effectiveness of risk management policies including monitoring the activities of the Risk and Integrity Officer to provide an independent and objective overview on the management's implementation, and the status of action plans in mitigating significant risks identified and to report on such actions taken.

- 4.1.7 Review the adequacy of resources for managing the internal control and risk management framework.
  - 4.2 Ensure that disclosure on risk management by the Company in its Annual Report includes:
    - 4.2.1 relevant information as prescribed in the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad; and
    - 4.2.2 a discussion on how the key risk areas were evaluated and that controls are in place for the Company to mitigate and manage those risks.
  - 4.3 The BRMC shall have the assistance and services of the Risk and Integrity Officer who shall report to the Chair of the BRMC and shall assist the Chair to investigate, collate, monitor and report on the overall risk environment and risk controls of the Company.
  - 4.4 The BRMC may direct the Management to report:
    - 4.4.1 all events that have caused a material risk event to happen;
    - 4.4.2 on the steps that have been taken to remedy the risk; and
    - 4.4.3 the preventive measures that have been taken to mitigate a similar risk from happening in the future,
- to the BRMC for their review and endorsement. For avoidance of doubt, the following items, including but not limited to, are reportable to the BRMC:
- (i) all major incidents (including near misses) that could or have caused significant injury or loss of life;
  - (ii) any operational incident that has caused harm or damage to the environment or equipment, or has attracted negative press coverage that could damage Company's reputation;
  - (iii) any event that may significantly damage or onerously impact the current and/or future performance and survival of the Company such as technological obsolesce, significant downtime, high risk actions where the risk from any

failure or bad forecast is significantly greater than any foreseeable benefit and so forth.

- 4.5 Further, the senior management is directed to ensure that there is in place a Business Continuity Plan and such plan is reviewed and tested the effectiveness annually so that events are reported on a timely basis. The plan also covers the requirements of business continuity and disaster recovery. A report will be tabled to BRMC at least annually for its review and approval.

## **5. MEETINGS**

### **5.1 Frequency**

5.1.1 The BRMC shall meet at least twice in a financial year. Additional meetings shall be scheduled as considered necessary by the Chair of the BRMC.

5.1.2 Management and those tasked with management of key risks may be requested to attend the meetings of the BRMC to provide reports and input. The Chief Executive Officer, Chief Financial Officer and Risk and Integrity Officer shall attend the meetings although they do not have any voting rights. Other members of senior management may attend the meetings by invitation of the BRMC.

### **5.2 Notice and Agenda**

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

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

5.2.3 The BRMC meeting agendas shall be the responsibility of the Chair with input from the BRMC members. Where necessary, the agenda shall include input from the senior management and/or external auditors and advisers.

5.2.4 The Chair may also invite other members of senior management and other persons to participate in this process, if necessary.

### **5.3 Quorum**

5.3.1 The quorum for a meeting of the BRMC shall be two (2) members, with the majority of members present being Independent Directors.

5.3.2 In the absence of the Chair or if he is not present at BRMC meeting within fifteen (15) minutes of the time appointed for holding the same, the members present shall elect a Chair from amongst themselves to chair the meeting.

### **5.4 Meeting Mode**

5.4.1 A meeting of the BRMC shall normally be conducted face-to-face to enable effective discussion. However, meetings may also be conducted at two or more venues within or outside Malaysia using any technology such as telephone conferencing, video conferencing or other appropriate means as determined by the BRMC.

5.4.2 A virtual meeting shall be deemed to constitute a BRMC meeting provided the following conditions are met:

(a) all BRMC members for the time being entitled to receive notice of the BRMC meeting shall be entitled to receive notice of a virtual meeting, stating an appropriate form of technology (or in such other manner); and

(b) a BRMC member shall not leave a virtual meeting by disconnecting from the technology used unless he/she has clearly notified the Chair in advance of his/her intention to leave the meeting, and a BRMC member shall be conclusively presumed to be present and shall at all time formed part of the quorum during such a meeting until such notified time of his/her leaving the meeting.

5.4.3 The BRMC may from time to time and if deemed appropriate, consider and approve and/or recommend relevant matters via a written resolution in writing, in lieu of formally convening a meeting. The written resolution shall



be as valid and effectual as if it has been passed by a meeting of the BRMC duly convened. Approval of BRMC obtained by an BRMC Written Resolution must be signed or approved by all BRMC members subject to 5.5.2.

## **5.5 Voting**

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

5.5.2 A BRMC 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 faithfully record the deliberations and decisions of the BRMC. The minutes shall include compiled instructions as Matters Arising for discussion at each meeting to ensure proper follow through.

5.6.2 Minutes (in draft form) shall be circulated for comments within ten (10) working days of the meeting. Minutes (in final draft form) shall be distributed to BRMC members at least five (5) working days before the following meeting and shall be approved by the Chair of the meeting at which the proceedings are held or by the Chair of the next succeeding meeting.

5.5.3 Copies of minutes of each meeting shall be distributed to all members of the Board. The BRMC, through its Chair, shall update the Board on the activities undertaken by the BRMC at each Board meetings. Any recommendations to the Board for approval, the Committee shall provide such background and supporting information as may be necessary for the Board to make an informed decision.

## **5.7 Secretary**

5.7.1 The Secretary to BRMC shall be the Company Secretary or such other person approved by the BRMC.

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

- (i) Ensure meetings are arranged and held accordingly;
- (ii) Assist the Chair in planning the BRMC's activities;
- (iii) Draw up meeting agendas in consultation with the BRMC Chair and maintain the minutes and draft its scheduled activities for the financial year;
- (iv) Ensure structured communication channels between the Board and the BRMC;
- (v) Ensure collation and distribution of information required by the BRMC;
- (vi) Provide advice on governance and compliance matters to the BRMC as well as practical support, whenever needed;
- (vii) Ensure proceedings of meetings are recorded and the minutes circulated in a timely manner, and reviewed by the BRMC before disseminating them to the Board; and
- (viii) Ensure BRMC recommendations presented to the Board are supported by papers that explain the rationale for the BRMC's recommendations.

## **6. ANNUAL PERFORMANCE ASSESSMENT**

- 6.1 The Board Nominating and Remuneration Committee ("BNRC") shall assess the effectiveness of BRMC in carrying out the duties as set out in these Terms of Reference and report the results to the Board.
- 6.2 The composition, performance and effectiveness of the BRMC and each of its members shall be reviewed by BNRC annually to ensure that the BRMC has the right composition, and sufficient, recent and relevant skills and expertise to effectively fulfil their roles.

6.3 All such reviews and assessments shall be properly documented.

## **7. REVIEW OF THE TERMS OF REFERENCE**

7.1 The BRMC shall recommend any changes to its terms of reference in such manner as the BRMC deems appropriate to the Board for approval and where necessary obtain the assistance of the senior management or the Company's internal auditors. The terms of reference shall be assessed, reviewed and updated where necessary especially when there are changes of any regulatory requirements. It should also be reviewed and updated when there are changes to the direction or strategies of the Company that may affect the BRMC's role.