

Terms of Reference for Risk Management Committee

OSKH-CS-TOR-004-2

28 February 2018

OSK Holdings Berhad (207075-U)

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Revision History Log

Ver. No	Section	Section Name	Page	Details of Amendments	Effective Date	e-Circular No.
1	All	All	All	Document published	21-Feb-17	NIL
2	All	All	All	Change to adopt new documentation	28 Feb 2018	OSKH/CS/CI R/003

Glossary

Term	Description
"Board"	The Company's Board of Directors
"Company" / "OSK"	OSK Holdings Berhad
"GRM"	Group Risk Management Committee
"OSKH Group"	OSKH and its subsidiaries, collectively
"RMC"	Risk Management Committee

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A. TERMS OF REFERENCE

A1. Risk Management Committee

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- 1. Introduction**
 - Risk Management Committee (“RMC”) is established by the Board of Directors (“the Board”) to assist the Board in identifying, assessing, managing, monitoring and controlling the risks in areas of that is applicable to the organisation business ensure that the risk management process is in place and functioning. (i.e. Strategic, Human Resource, and Project Management)

 - 2. Composition of the RMC**
 - RMC shall be appointed by the Board from amongst their number and shall consist of not less than three (3) members, comprising only Non-Executive Directors.
 - The membership of RMC shall be approved by the Board and include a mixture of risk and business management knowledge and experience.
 - In the event of any vacancy resulting in the number of members being reduced to below three (3), the Board shall, within three (3) months fill the vacancy.

 - 3. The Chairman of RMC**
 - The Chairman of RMC shall be an Independent Director and elected by the members of the RMC from amongst their number.

 - 4. Reporting**
 - RMC reports to the Board.
 - The following are to be included by RMC in OSK’s annual report:
 - Committee membership and composition
 - Terms of reference of RMC.
 - Functions and responsibilities of RMC.
 - Number of committee meeting held and attendance of each member of RMC.

- A statement of OSK's risk management framework which includes:
 - (1st) A discussion of OSK's risk management strategies and policies.
 - An explanation of the nature of the risk and activities within OSK that gives rise to that risk as well as the composition of the exposures that arise.
 - A description of method used to identify, monitor, manage and control each risk.
 - The presence of any other risk that could materially impair OSK's ability to meet its corporate objectives and business strategies.
 - The nature and frequency of any review/assessment conducted in respect of OSK's risk management's system, including a statement on whether the reviews/assessment referred to were conducted by an independent external party to OSK, as well as outlining the key recommendations of the review.
 - An assessment conducted in respect of the risk management system.
 - (2nd) Comparative analysis of previous year's data should also be provided to give a perspective on trends in the underlining exposures. The qualitative and quantitative information must be meaningful and sufficient to help users understand the nature and magnitude of these risk exposures.

End

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A. TERMS OF REFERENCE

A2 Roles and Responsibilities

1. Risk Management Committee

- To review and recommend risk management strategies, policies and risk tolerance levels for Board's approval.
- To review and assess adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risks and the extent to which these are operating effectively.
- To ensure infrastructure, resources and systems are in place for risk management i.e. ensure that the staff responsible for implementing risk management systems perform those duties independently of the risk originating activities of the Company and companies in the group (where applicable).
- To review periodic risk management and business exposures reports from the respective business units of the Company and companies in the group (where applicable) on risk exposures, risk portfolio compositions and risk management activities.
- To review and recommend new policies or changes to policies, and to consider their risk implications.
- To ensure that the respective risk management committees of the companies in the group (where applicable) mirror the role and responsibility functions, duties and authority described herein.
- To note & adopt the respective board minutes (or any other forms of documents that highlight the risk exposures and activities) of companies in the group with respect to risk management activities carried out at that level.
- Review significant changes to risk assessment methodologies.
- Ensure the risk management framework is embedded and consistently applied throughout OSK.
- Provide direction to the Group Risk Management ("GRM") in respect of risk management policies, controls and systems in line with the Board's approved risk management strategy.
- Periodically review risk levels and potential weaknesses in current process, its potential impact currently, as well as in the light of changes in operating environment.
- Periodically review compliance with policies and tolerance level set.

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- Review high level risk exposures, risk portfolio composition and advise the Board as to whether they are within tolerance of the Board.
 - (1st) Periodically review:
 - On-balance sheet and off-balance sheet risk exposure profiles, assess current and future risk environment, and set short-term risk positioning strategy in response to changing events for credit risk.
 - The environment, the key factors that may affect the outcome of the original strategy and sets medium-term risk positioning strategy in response to changing events for strategic risk.
 - (2nd) Review management's periodic reports on risk exposure, risk portfolio composition and risk management activities.
 - (3rd) Assess risk-return profile and alter business directions or propose to the Board to alter business direction, where necessary.
 - (4th) Provide overall direction, advice and resolve conflicts on risk-business issues.
 - (5th) Report to the Board on a quarterly basis in respect of OSK's overall risk exposure, changes in risk methodologies, capital consumption and significant decisions made with regard to risk management issues and risk positioning strategies.
 - (6th) Report to the Board, on an annual basis, OSK's risk management framework.
 - (7th) Review decision made by the Board to ensure that they are within the overall risk interests of OSK.
- 2. RMC Chairman**
- The following are general guidelines on the main duties and responsibilities of the RMC Chairman:
 - Provide leadership for RMC to fulfil the goals it sets by delegating tasks, ensuring propagation of essential information, monitoring and reviewing the adequacy and timing of deliverables, facilitating discussions and the resulting decisions, and promoting good corporate governance.
 - Refers to the Head of Group Risk Management ("GRM") for guidance on what RMC's responsibilities are as promulgated by sound corporate governance practices.

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- 3. RMC Members**
- The following are the expectations for RMC members:
 - Provide individual external independent opinions to the fact-finding, analysis and deliberations of RMC, based on their experience and knowledge.
 - Consider viewpoints from the other RMC members and make decisions or recommendations for the best interest of the Board collectively.
 - Keep abreast of the latest corporate governance guidelines in relation to RMC and the Board as a whole.

End

A. TERMS OF REFERENCE**A3. Authority****1. General**

- RMC shall within its terms of reference:
 - assist Board in its review of the adequacy of scope, functions and resources of GRM and that it has the necessary authority to carry out its responsibilities;
 - have full and unrestricted access to any information and documents relevant to its activities in carrying out its duties. All employees are directed to co-operate with any request made by RMC;
 - Have the authority to investigate any activity of the Company within its terms of reference;
 - Have the authority to form management / sub-committee(s) if deemed necessary and fit;
 - Provide leadership for GMR and GRM to fulfil the goals it sets by delegating tasks, ensuring propagation of essential information, monitoring and reviewing the adequacy and timing of deliverables, facilitating discussions and the resulting decisions, and promoting good corporate governance;
 - be able to obtain independent professional or other advice; and
 - be able to convene meetings with external parties, whenever deemed necessary.

End

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A. TERMS OF REFERENCE

A4. Meetings & Minutes

1. General

- RMC shall preferably meet on a quarterly basis, but in any event, no less than four (4) times a year, or when required by Chairman or any RMC member.
- The quorum of the meetings shall be at least two (2) members or 50% of the total members, whichever is higher.
- RMC is also allowed to carry out the resolution by way of circulation.
- Head of the respective division units and relevant management personnel may be invited to attend RMC meetings.
- RMC may meet together for dispatch of business, adjourn, and otherwise regulate their meetings as they think fit by means of any communication technology by which all persons participating in the meeting are able to hear and be heard by all other participants without the need for a member to be in the physical presence in the meeting. The member participating in any such meeting shall be counted in the quorum for such meeting. All resolutions agreed by the member in such meeting shall be deemed to be as effective as a resolution passed at a meeting in person of the members duly convened and held.
- Resolutions, proposals and matters tabled for approvals at any meeting of the Committee shall be decided by a simple majority of the member present.
- The Secretary shall minute the proceedings and resolutions of all Committee meetings.
- The Secretary, in consultation with the Chairman, if necessary, shall draw up an agenda, which shall be circulated together with the relevant support papers to each Committee member prior to the Committee meeting.
- RMC shall cause minutes to be entered in the books provided for purpose of recording all proceedings and resolutions of meetings of the RMC.
- Minutes of each meeting shall also be distributed to all members of the RMC and presented to the Board for notation purposes at the Board meeting.
- The books containing the minutes of the proceedings of any meetings of RMC shall be kept at the registered office and shall be open to the inspection of any members of RMC or the Board.

End