

# PAVILION

REAL ESTATE INVESTMENT TRUST

*Managed by  
Pavilion REIT Management Sdn Bhd*

## **RISK MANAGEMENT COMMITTEE**

## **TERMS OF REFERENCE**

Effective Date : 20 May 2022

## Contents

1	Preamble.....	1
2	Establishing a Risk Management Committee .....	2
3	Membership.....	2
4	Objectives.....	2
5	Authority .....	3
6	Duties and Responsibilities of RMC.....	3
7	Conduct of Meetings of RMC.....	5
	7.1 <i>Frequency and Attendance</i> .....	5
	7.2 <i>Quorum</i> .....	5
	7.3 <i>Meeting Mode</i> .....	5
8	Attendance at Annual General Meeting.....	6
9	Secretary and Minutes.....	6
10	Review of the Terms of Reference.....	6
11	Risk Management Working Committee (“RMWC”).....	7

## **1 Preamble**

The continuous enhancement of corporate governance practices is pivotal towards realising the objectives of transparency, accountability, integrity and effective performance of Pavilion Real Estate Investment Trust (“PAVREIT” or the “Pavilion REIT” or the “Trust”) by Pavilion REIT Management Sdn Bhd (“PRMSB” or the “Company”), which is ultimately driven by the quest to increase unitholders’ value and harness investor interest.

It is with the aim of enshrining the principles and recommendations of corporate governance as promulgated by the Malaysian Code on Corporate Governance (the “Code”), relevant chapters of the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa”) and the Listed REIT Guidelines (“Guidelines on Listed REITs”) by the Securities Commission (“SC”) that this Risk Management Committee Terms of Reference (the “TOR”) is established.

Whilst the TOR serves as a reference point for the activities of the Risk Management Committee members (“RMC Members”) it should not be construed as a blueprint for the Risk Management Committee (“RMC”) operations. Just as each organisation has its own corporate culture, the dynamics of the RMC are unique.

The dynamics may shift as the composition of the RMC changes, and RMC Members of the Company should always be open to new opportunities and ready to confront new challenges brought about by the changes.

This TOR is designed to provide guidance and clarity for Directors and Management with regard to the role of the RMC, the requirements of RMC Members in carrying out their stewardship role and in discharging their terms of reference as delegated by the Board of the Company.

## **2 Establishing a Risk Management Committee**

The Risk Management Committee (“RMC”) is a committee of the Board of Directors (“Board”) established pursuant to the MCCG. The TOR governs the processes of this Committee and outlines the policies, procedures and guidelines in relation to Pavilion REIT’s risk management framework.

## **3 Membership**

The RMC shall be appointed by the Board of Directors (the “Board”) from amongst the Directors and shall consist of no fewer than three (3) members, with a majority of whom are Independent Non-Executive Directors. No alternate director is to be appointed.

The RMC shall elect a Chairman from among its members who is an Independent Non-Executive Director.

In the event that a member of the RMC resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced below three (3), the Board of Directors shall, within three (3) months of that event, appoint such number of new members.

If the RMC Chairman position is vacant, it is to be filled up within 3 months of the vacancy.

## **4 Objectives**

The primary objectives of the RMC are to:

- 4.1 Oversight on the establishment and implementation of a risk management framework and the effectiveness of risk reporting structure.
- 4.2 Review the effectiveness of the risk management framework in identifying and managing risks and internal processes which include but not limited to ensuring the adequacy of

risk management policy and infrastructure to facilitate the implementation of action plans for risk management.

- 4.3 Review and recommend strategies, policies and risk tolerance for the Board’s approval.

## **5 Authority**

The RMC is authorised by the Board to:

- 5.1 Investigate any matter within its terms of reference and have full and unrestricted access to any information, books, records, facilities and personnel pertaining to Pavilion REIT and / or the Company.
- 5.2 Have the authority to engage and authorize expenses for independent consultants and other advisors as RMC deems necessary to perform its duties.
- 5.3 Have direct communication channels with Risk Management Working Committee (“RMWC”).
- 5.4 Full access to any employee or member of the RMWC.
- 5.5 Instruct RMWG to perform duties as necessary to support the RMC in discharging its function and duties. The Chairman of RMWC is accountable to the RMC and shall have direct access to the Chairman of RMC.

The RMC is also authorised by the Board to have access to all the resources and to obtain outside legal or other independent professional advice it considers necessary and reasonable for the performance of its duties.

## **6 Duties and Responsibilities of RMC**

RMC oversees Pavilion REIT’s overall risk management framework and all its related policies.

RMC is accountable to the Board and is responsible to advise the Board on the adequacy and effectiveness of risk management framework.

In fulfilling its primary objectives, the RMC will need to undertake the following duties and responsibilities summarised below:

- 6.1 To conduct an annual review and periodic testing of the Pavilion REIT's risk management framework and to ensure the risk management framework adopted by the Manager is based on an internationally recognised risk management framework.
- 6.2 To establish and review Pavilion REIT's risk management guidelines and policies and ensure implementation and compliance of the objectives outlined in the Terms of Reference.
- 6.3 To recommend for the Board's approval the policies, strategies, key risk indicators and risk tolerance levels, and any proposed changes thereto.
- 6.4 To review and recommend Pavilion REIT's level of risk tolerance and actively identify, assess and monitor key business risks to safeguard unitholders' investments and Pavilion REIT's assets.
- 6.5 To review the adequacy of the scope, functions, competency and resources of the Risk Management Working Committee ("RMWC") and ensure that it has the necessary authority to carry out its work.
- 6.6 To evaluate the effectiveness of the RMWC structure, risk management processes and support system to identify, assess, monitor and manage the Pavilion REIT's key risks and to ensure it is continuously improved as the business environment changes.
- 6.7 To review the status of the implementation of management action plans in mitigating significant risk identified.
- 6.8 To review and assess the effectiveness and adequacy of business continuity plan and monitoring its implementation.
- 6.9 To engage management in an ongoing risk appetite dialogue as conditions and circumstances change and new opportunities arise.
- 6.10 To review the statement on risk management for disclosure in Pavilion REIT's Annual Report.
- 6.11 To conduct investigation on any matters within these terms of reference as authorized by the Board

## **7 Conduct of Meetings of RMC**

### **7.1 Frequency and Attendance**

The RMC shall meet at least two (2) times a year. Additional meetings shall be scheduled as considered necessary by the Chairman of the RMC.

The Chairman of RMWC shall attend meetings of the RMC as a permanent invitee. Other members of management may attend the meetings by invitation of the RMC.

The RMC shall meet with the Chairman of RMWC without executive board members present at least twice a year. The RMC may also invite other Directors and employees to attend any of its meeting to assist in resolving and clarifying matters raised.

### **7.2 Quorum**

A quorum shall consist of a majority of Independent Non-Executive Directors and shall not be less than two (2).

### **7.3 Meeting Mode**

Meetings of the RMC (“RMC meetings”) may be conducted by means of telephone conference, video conference or any other form of audio or audio-visual instantaneous communication and the participation in the meeting pursuant to this provision shall constitute presence in person at such meeting.

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.

Minutes of all RMC meetings shall be confirmed by the RMC Chairman or Chairman of the meeting and circulated to all members.

The RMC may pass resolutions by circulation. A resolution in writing signed by a majority of RMC members, shall be as valid and effectual as if it had been passed at a

meeting of the RMC duly called and constituted. These resolutions may consist of several documents in original or facsimile in the like form each signed by one or more members.

#### **7.4 Voting**

In the event of an equality of votes, the Chairman shall not have a casting vote. All conflicting views shall be submitted to the Board for its final decision.

Any member who has an interest in any matters being reviewed or considered shall abstain from voting on the matter.

### **8 Attendance at Annual General Meeting**

The RMC Chairman (or in his absence, an alternative member of the RMC) shall attend the Annual General Meeting of Pavilion REIT.

### **9 Secretary and Minutes**

The Company Secretary shall be the secretary of the RMC and as a reporting procedure, the minutes shall be circulated to all members of the Board.

### **10 Review of the Terms of Reference**

The RMC may review the Terms of Reference of the RMC annually or as and when deemed necessary to ensure it remains relevant and updated in line with best practices. Any amendments herein must be approved by the Board.

## **11 Risk Management Working Committee (“RMWC”)**

RMWC shall meet at least half-yearly to deliberate ERM agenda. Meetings can be conducted at more frequent intervals should such conditions require. RMWC is chaired by the Chief Executive Officer of the Manager, and includes its management team.

The principal roles and responsibilities of the RMWC in risk management are as follows:

- 11.1.1 evaluate and determine the nature and extent of the risks the Board is ready to endorse in pursuit of Pavilion REIT’s strategic objectives;
- 11.1.2 create a high-level risk strategy (policy) aligned with the Manager’s strategic objectives for Pavilion REIT;
- 11.1.3 design adequate internal controls into the Standard Operating Procedures (“SOPs”) appropriate for the needs of departments;
- 11.1.4 communicate the Board’s vision, strategy, policy, responsibilities and reporting lines to all personnel across the Manager and at property levels;
- 11.1.5 identify and communicate to the RMC, critical risks (present or potential) the Trust faces, their changes, the Manager’s action plans to manage the risks, and reporting to the RMC of any material control breaches or losses in an open and timely manner;
- 11.1.6 implement appropriate action plans where controls were identified as ineffective or partially effective either by the Management in the course of its operations or by the Internal Audit function;
- 11.1.7 perform risk oversight and review risk profile and organisational performance;
- 11.1.8 aggregate Pavilion REIT’s risk position and half-yearly report to the RMC on the risk situation/ status;
- 11.1.9 set performance measures for Pavilion REIT’s risk management activities;
- 11.1.10 provide guidance to the properties / departments on Pavilion REIT and / or the Company’s risk appetite and other criteria which, when exceeded, trigger an obligation to report upward to the RMC;
- 11.1.11 ensure an appropriate and effective risk management framework is established and maintained;
- 11.1.12 monitor design and implementation of risk management framework;
- 11.2.13 initiate instructions to risk owners / person overseeing function to execute action plans when internal control efforts are deemed not effective or requires improvement;  
and
- 11.2.14 over the internal audit report and follow up report(s).

Significant risk issues evaluated by the RMWC and/ or major changes proposed by this committee shall be discussed at the RMC and Board meeting. The RMWC in turn is assisted by the risk officer, who acts as Pavilion REIT's focal point for all risk management activities across the Trust.

In the scope of the risk management policy set out in this document, the RMWC is primarily responsible for review of the risk management process. The same principle applies analogously to the personnel of the Trust, where risk monitoring accountability rests with the respective risk owners from each business unit / department.