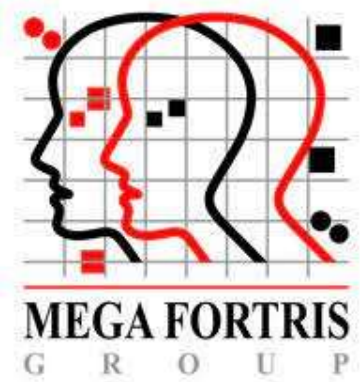


MEGA FORTRIS BERHAD

TERMS OF REFERENCE

SUSTAINABILITY AND RISK MANAGEMENT COMMITTEE

1. INTRODUCTION

Risks are inherent in every business and the increased complexity and volatility of today's business and external environment coupled with the introduction of new legislation meant that the ability to effectively manage risk has become ever more important. Economic, environmental and risks and opportunities are increasingly affecting business profitability and share prices. The Board of Directors ("**Board**") is mindful that, as Mega Fortris Berhad ("**the Company**") and its subsidiaries ("**Group**") is concentrating its business attention on investment holdings, manufacturing and trading of security seals, tooling, security bags and playing cards as well as trading of tamper evident products and load secure products, the Group is exposed to inherent risks in relation to such industries. Whilst the Board still retain ultimate accountability for managing sustainability matters in the Group and risk management and for determining the appropriate level of risk appetite, Sustainability and Risk Management Committee ("**SRMC**") is entrusted by the Board with the duties to:

(a) oversee the management of principal business risks and significant or material environmental, social and governance ("**ESG**") risks and implement of sustainability-related policies, measures and actions in achieving the Company's sustainability milestones and goals;

(b) integrate sustainability risks and opportunities in the risk management framework of the Company;

(c) implement risk management framework, policy and process approved by the Board and oversight of risk management practice on group wide basis respectively; and

(d) approve disclosure statements relating to management of sustainability matters of the Group.

In essence, SRMC is responsible for overseeing and monitoring the implementation of sustainability strategies as approved by the Board, and the execution and management of the risk management policy and process while the Board takes on a supervisory role in respect of the Group's risk management policy and process.

2. DUTIES AND RESPONSIBILITIES

The duties and responsibilities of SRMC are as follows:

2.1 Sustainability

(a) Advising and recommending business strategies related to sustainability to the Board, which includes, but is not limited to ESG;

(b) Monitoring the implementation of sustainability strategies as approved by the Board;

(c) Providing recommendation to the Board on sustainability-related policies for adoption and monitoring the implementation of the policies;

(d) Reviewing sustainability issues which arise from independent audits and assurance reports, if any, and matters related to sustainability highlighted by regulators or relevant consultants;

(e) Recommending material sustainability matters to the Board for approval;

(f) Overseeing the management of sustainability matters, focusing primarily on issues material to the Group; and

(g) Receiving half yearly update from management on the progress towards achieving the Group's sustainability targets.

2.2 Sustainability Disclosures

(a) Overseeing the preparation of sustainability disclosures as required by laws and/or rules, and recommending it for the Board's approval; and

(b) Reviewing and recommending the sustainability statement for annual report to the Board for approval to ensure that the Group's sustainability initiatives and outcomes are effectively communicated to investors and other stakeholders. This includes ensuring compliance with Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the applicable code on corporate governance in force at the material time.

2.3 Risk Management

(a) To oversee and recommend the risk management strategies and policies and risk tolerance levels for the Board's approval;

(b) To ensure the management of sustainability risks and opportunities is integrated into the risk management framework and that the risk management framework and policy are embedded in and function effectively throughout the Group within the parameters established by the Board, the risk management framework shall be based on an internationally recognised framework;

(c) To identify and measure potential risks and to formulate mitigation action plan(s) to manage and monitor the identified risks within the Group's risk appetite. Additionally, to ensure that corrective measures are taken to address any failings and/or weaknesses;

(d) To conduct an annual review and periodic testing of the risk management framework. This includes reviewing key risk registers and risk dashboard of the Group to ensure compliance and relevance in light of any changes in internal business processes, business strategies, external ESG or any related to sustainability issues.

(e) To provide risk management awareness and education to all levels of the Group;

(f) To ensure infrastructure, resources and systems are in place for risk management. This includes ensuring that staff responsible for implementing risk management systems perform their duties independently of the Group's risk-taking activities;

(g) To report the Group's risk management activities and update key risk registers and the risk dashboard to the Board on a regular basis, at least annually;

(h) To maintain an adequate number of resources to carry out its functions and responsibilities;

(i) To perform risk identification and assessment regarding major asset / business acquisition or divestment, or business diversification or business

consolidation. The assessment results need to be reported to the Board for strategic decision making;

(j) To perform regular reviews, monitoring and assessments of the effectiveness, efficiency and performance of the Group's anti-bribery programme. The reviews can be in the form of internal audits or audits conducted by an external party. These reviews are the basis for any improvements to existing anti-bribery and corruption controls;

(k) To review the effectiveness of the Group's risk management systems; and recommend, where appropriate, the endorsement of the Statement on Risk Management and Internal Control to be included in the Company's annual report by the Board;

(l) To consider and examine such other matters as the SRMC considers appropriate together with the external auditors, if required;

(m) To consider other matters as defined by the Board;

(n) To provide oversight over projects/major contracts, and other contracts requiring the Board's approval, including endorsement of contract terms (and any material amendments to such contracts) prior to acceptance and execution as well as potential/actual disputes with counterparties; and

(o) Liaise with audit committee and review the external auditor's findings on the management of risks as to ensure issues of common concern are addressed appropriately.

3. POWERS AND AUTHORITIES

As SRMC is entrusted by the Board with the task of executing and managing the risk management framework and policy, and overseeing and monitoring the management and implementation of sustainability strategies as approved by the Board. The SRMC is vested with the following authorities:

(a) has explicit authority to carry out activity within its terms of reference. All employees shall be directed to cooperate as requested by members of SRMC;

(b) has the adequate resources which it needs to perform its duties;

(c) has full access to any information and documents/resources which it requires in the course of performing its duties;

(d) has direct communication channels with the management of the Company, the internal auditors, external auditors and persons carrying out the internal audit functions or activity, as the case may be, to obtain information and feedback in performing its duties;

(e) to obtain and engage services and/or advice of external professional and to secure the attendance of outsiders with relevant experience and expertise, if necessary, at the expense of the Group in carrying out its duties;

(f) can seek information directly from the Group's employees or external party, including the Group's auditors and other professional advisers; and

(g) in discharging the above responsibilities, they can establish the Group's sustainability oversight unit, if so required to identify and manage the risks that the Group faces on a continual basis, so that the Group will be able to achieve its goals.

4. COMPOSITION

(a) The Board shall appoint SRMC members, comprising not fewer than three (3) members and majority of them shall be independent Directors. SRMC shall include members with a mixture of risk and business management knowledge and experience.

(b) The members of SRMC shall elect a chairman ("**Chairman**") from amongst themselves whom shall be an independent Director.

(c) In the absence of the Chairman of SRMC, the other members of SRMC shall amongst themselves elect a Chairman to chair the meeting.

(d) SRMC may establish a risk management working group to support SRMC to undertake the risk management and internal control framework of the Group. The members of risk management working group are nominated

from employees of the various divisions in the Group, preferably executive Directors, chief executive officer, chief operating officer and head of departments. SRMC should also include identifying a key risk officer of the Group.

5. RETIREMENT AND RESIGNATION

If any member of SRMC retires, re-designates, resigns, dies or for any reason ceases to be a member or Chairman resulting in non-compliance with Clauses 4(a) above, the Board and the members of SRMC shall within three (3) months of the event appoint/elect such new member(s) or Chairman as may be required to fill the vacancy.

6. SECRETARY

(a) The secretary of SRMC shall be the company secretary or appointed from among the members of SRMC or such other person as the SRMC shall decide from time to time ("**Secretary**").

(b) The Secretary of SRMC shall be responsible, in conjunction with the Chairman of SRMC, for drawing up the agenda and in performing work pertaining to the summoning of meeting, delivery of supporting documents for the meeting and keeping of minutes.

7. MINUTES

(a) The SRMC meeting proceedings shall be recorded by the Secretary and circulated prior to the next meeting along with items for agenda.

(b) The Chairman of SRMC shall report to the Board on any matter that should be brought to the Board's attention and provide recommendations of SRMC that require the Board's approval at the Board meeting.

(c) A copy of minutes of meeting to be circulated to the Audit Committee and the Board to keep them adequately informed of SRMC's activities.

8. MEETINGS

(a) SRMC shall meet at least two (2) times in each financial year. The quorum for a meeting shall be at least two (2) members of SRMC.

(b) The Chairman of SRMC and/or such other person as SRMC may decide from the Company's risk management department from time to time ("**Key Risk Officer**") may call for a meeting as and when required with reasonable notice as SRMC members deem fit (preferably 7 days' notice with agenda of matters to be discussed), unless SRMC waives such requirement.

(c) SRMC may invite any non-member and external professionals who SRMC thinks fit and proper to attend its meeting to assist in its deliberations and resolutions of matters raised.

(d) SRMC may participate in a meeting of the Committee by means of conference telephone, conference videophone or any similar or other communication equipment by means of which all persons participating in the meeting can hear each other. Such participation in a meeting shall constitute presence in person at such meeting.

(e) Questions arising at any meeting of SRMC shall be decided by a majority of votes of the members present, and in the case of equality of votes, the Chairman of the SRMC shall has a second or casting vote.

(f) A resolution in writing signed or approved by facsimile, letter, telegram, telex or telefax or other written electronic communications by a majority of the members of the SRMC and who are sufficient to form a quorum, shall be as valid and effectual as if it had been passed at a meeting of the SRMC duly called and constituted. All such resolutions shall be described as "Committee Members' Resolutions in Writing" and shall be forwarded or otherwise delivered to the Secretary without delay, and shall be recorded by the Secretary in the Company's minute book. Any such resolution may consist of several documents in like form, each signed by one (1) or more SRMC members.

9. CONFIDENTIALITY

The members of SRMC shall have an obligation to treat all information discussed in the meeting (including but not limited to, matters relating to the affairs of the Group) in a confidential manner.

10. REVIEW OF THE TERMS OF REFERENCE

The Board shall review and assess the relevance of the terms of reference of SRMC from time to time or when changes to business environment or regulatory requirements necessitate a revision.

11. REVISION OF THE TERMS OF REFERENCE

The provisions of this terms of reference can be amended and supplemented from time to time by a resolution of the Board.

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Reviewed Date : 03/09/2026
Revised Date : 03/09/2026

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