CONFIDENTIAL

SARAWAK CONSOLIDATED INDUSTRIES BERHAD

RISK MANAGEMENT FRAMEWORK

VERSION 4.0

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DOCUMENT HISTORY

NO.	VERSION	APRROVED DATE	APPROVED BY	REMARK
1	1.0	17/06/20	Board of Directors	-
2	2.0	27/08/20	Board of Directors	• Inclusion of Construction Risk, Supply Risk and Distribution Disruptions as Risk Category
3	3.0	26/11/20	Board of Directors	• Inclusion of Investment Risk and Project Risk as Risk Category • Removal of Distribution Disruption Risk as Risk Category • Amendment of Template of Risk Register to include Risk Cause
4	4.0	24/08/26	Board of Directors	• Change the terminology from "RMC" to "RMSC" and from "RWGC" to "RSWGC" • Amendment on Risk Management Process

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1. INTRODUCTION

All activities undertaken by the Group carry an element of risk and the exposure to these risks is managed through the practice of Risk Management.

In managing risk, it is the Group's practice to take advantage of potential opportunities while managing potential adverse effects, and managing risk is the responsibility of everyone in the Group.

The objectives of this Document are:

- Ensure going business concern by avoiding and mitigating losses;
- Improve business performance by informing and improving decision making and planning;
- Promote a more innovative, less risk averse culture in which the taking of calculated risks in pursuit of opportunities to benefit the company is encouraged;
- Provide a sound basis for integrated risk management and internal control as components of good corporate governance.

This Document outlines the Group's risk management process and sets out the responsibilities of the Board of Directors ("Board"), Risk Management & Sustainability Committee ("RMSC"), Group Managing Director / Chief Executive Director ("GMD/CEO"), Risk & Sustainability Working Group Committee ("RSWGC"), Group Chief Risk Officer ("GCRO"), Risk Management Function, Risk Owners, and others within the Group in relation to risk management.

The Board is the policy owner of this Document.

2. DEFINITIONS

The key definitions for this policy are as follows:

NO.	WORD	DEFINITION
1	Risk	Chance of something happening that will have an impact on the achievement of SCIB's Vision, Mission and Objectives.
2	Risk Assessment	The overall process of risk analysis and evaluation.
3	Risk Management	The culture, processes and structures that are directed towards the effective management of potential opportunities and adverse effects within SCIB.

3. RISK GOVERNANCE

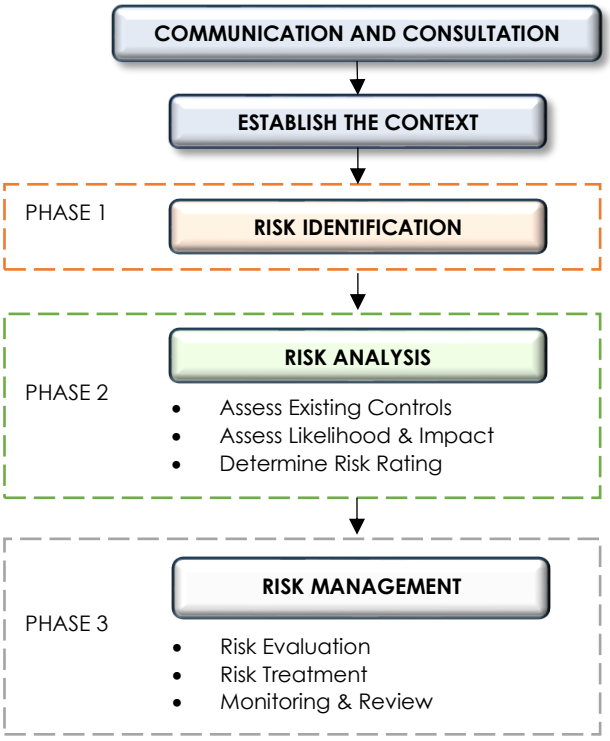
The Group has 8 principal risk governance as follows:

NO.	ENTITY	RESPONSIBILITY
1	The Board of Directors ("Board")	The responsibilities of the Board in respect to the Risk Management were defined in the Board Charter, among others to Identify principal risks and ensuring implementation of appropriate systems to manage the identified principal risks. The Board has delegated to Risk Management & Sustainability Committee ("RMSC") to take responsible for matters pertaining to assessment, management and control of the Group's principal risks.
2	Risk Management & Sustainability Committee ("RMSC")	The responsibilities of RMSC in respect to the Risk Management were defined in its Terms of Reference, among other, to continuously review the risk management practices of the Group.
3	Group Managing Director / Chief Executive Director ("GMD / CEO")	• Monitoring compliance with this policy; • Reporting to the Board on compliance with this policy; • Developing, implementing and monitoring systems, management of policies and procedures relevant to the business, including facilitating review by the executive on a regular basis; and • Review and Maintain the Risk Register.
4	Risk & Sustainability Working Group Committee ("RSWGC")	• Implementation of this policy; • Identify, evaluate and manage principal risks of the Group; • Report to the Board via RMSC on status of risks and controls; and • Update status of Management Action on Risk
5	Group Chief Risk Officer ("GCRO")	• Lead development and implementation of this policy in accordance with applicable standards for risk; • Ensure risk evaluation, monitoring, review and documenting occur in accordance with this policy; • Advice the Board to ensure compliance with relevant legislations, regulations, policies and standards and to build Group's capability to mitigate risks related to human, financial and physical resources; • Prepare Summary of Risk Register approved by the GMD / CEO for submission on a Quarterly Basis to RMSC for review and approval; • Maintain risk management communication within the Group; and • Coordinate and provide training in risk management.
6	Risk Management Function	• Assist GCRO on how well the Division / Department / Units within the Group are addressing requirements as defined in this policy;

NO.	ENTITY	RESPONSIBILITY
		• Evaluate and report on compliance of Division / Department / Units on this policy; • Evaluate controls in key risk areas; • Evaluate compliance with other Group policies; and • Review and report on extent to which management has applied the policy.
7	Risk Owners	The Risk Owner shall identify new risks and responsible for ensuring on a daily basis, that relevant operational procedures and implemented controls treat each risk area adequately and effectively. If a procedure or control is inadequate and ineffective in treating the risks, the Risk Owner should report, with a recommendation for an alternative risk treatment, to the RSWGC and ultimately to obtain approval from the GMD / CEO.
8	Employees	Every employee is responsible for effective management of risk including identification of potential risks. Management is responsible for the development of risk mitigation plans and implementation of risk reduction strategies. Risk management processes should be integrated with other planning processes and management activities. Head of Division / Department / Units are accountable for strategic risk management within areas under their control, including promotion and training of the risk management process to staff.

4. RISK MANAGEMENT PROCESS

The Risk Management Process outlines foundations and organization arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout Group, as follows:



The 7 elements of the risk management process are as follows:

NO.	PROCESS	DELIBERATION
1	Communication and Consultation	Communicate and consult with internal and external stakeholders as appropriate at each stage of the risk management process and concerning the process.
2	Establish the Context	Establish and evaluate the external, internal and risk management context in which the process operates and define the criteria and structure for the subsequent risk analysis.
3	Risk Identification	Identify where, when, why and how events could prevent, degrade, delay or enhance the achievement of the Group's objectives.
4	Risk Analysis	Determine consequences and likelihood and hence the level of risk by analyzing the range of potential consequences and how these could occur.
5	Risk Evaluation	Compare estimated levels of risk against the pre-established criteria and consider the balance between potential benefits and adverse outcomes.

NO.	PROCESS	DELIBERATION
		This enables decisions to be made about the extent and nature of treatments required and about priorities.
6	Risk Treatment	Develop and implement specific cost-effective strategies and action plans for increasing potential benefits and reducing potential costs.
7	Monitoring & Review	Monitor the effectiveness of all steps of the risk management process, for continuous improvement.

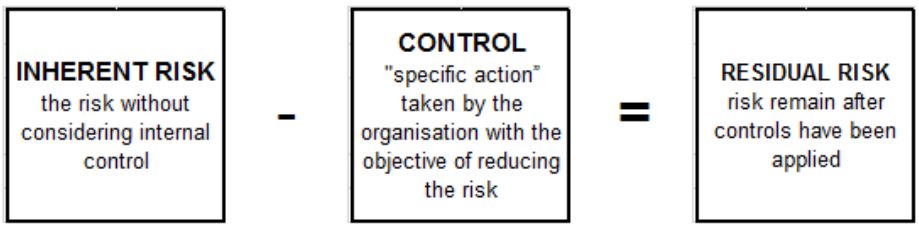
5. SEGMENT & TYPE OF RISK

The Group's risks may come from any internal or external event which, if it occurs, may affect the ability to efficiently and effectively of the company operation:

NO.	SEGMENT	DELIBERATION
1	Internal risks - Operational Risk	Those risks that specifically relate to the Group's business itself and as such as generally within its control, which include risks such as employee related risks, strategic risks, and financial risks.
2	External risks - Business Risk	Those risks that are outside the control of the Group, and include risks such as market conditions and legislative change.

The risks are defined in 2 types:

NO.	TYPE	DELIBERATION
1	Inherent Risk	Commonly defined as "the risk without considering internal control" or alternatively "a raw risk that has no mitigation factor or treatment applied to it"
2	Residual Risk	Commonly defined as "the level or risk remaining after controls have been applied. An exposure to loss remaining, after other known risk have been countered or eliminated.



6. RISK CATEGORY

The Group has defined 13 categories of risks as follows:

NO.	RISK CATEGORY	DESCRIPTION
1	Environment	• Risks associated with protection and enhancement of environment, as well as risks arising from natural disasters such as floods, earthquakes, landslides, tsunamis, hurricanes, adverse weather conditions, etc, which also includes risk of disruption of business activities due to spread of pandemics/ epidemics.
2	Financial	• Risks relating to financial management or transactions, such as fraud, theft, conflict of interest, duplicated payments, etc., which as well includes risks relating to budgets and factors affecting budgets, insufficient cash flows, and improper controls over financial operations or processes.
3	Human Resources	• Risks arising from ineffective organizational capabilities, work environment and human resource and its competencies such as recruitment, engagement, training and development.
4	Information Technology	• Risks arising from use and reliance on information by the Group or other external entities, which may impact operations, such as internal systems, external service provider's systems, business /internet. • Risks relating to protection of corporate and private information. • Risks relating to security, function or management of technological systems and processes. • Risks relating to IT implementation, including mismatch or lack of adequate technology, IT applications and capabilities.
5	Legal, Regulatory & Compliance	• Risks resulting from non-compliance with internal and external policies, procedures, standards and laws. • Risks relating to service and / or product delivery or information or breach of contracts or defaults that result in legal proceedings.
6	Operational	• Risks associated with a lack of defined policies, processes, procedures or limits and delegations of authority. • Risks associated with culture, organizational structure and communication including supporting system, processes and procedures. • Risks resulting from ineffectiveness of operational processes.
7	Stakeholder Management	• Risks associated with identification of individuals and organizations with direct influence on and / or interest in the Group's operations.

NO.	RISK CATEGORY	DESCRIPTION
		• Risks associated with need to ensure ongoing and effective communication and consultation with key stakeholders.
8	Market	• Risks due to changes or volatility in market forces affecting the business operation and the Group's competitive position or advantage. • Risks relating to incomplete or total absence or ineffective strategies to position the Group's products and services in the market.
9	Corruption	• Risk is equated with set of institutional vulnerabilities within a system or process which might favor or facilitate corrupt practices.
10	Construction	• Risk due to exposure to possible loss associated with the physical phase of a construction project.
11	Quality	• Risk due to fails to meet quality goals.
12	Investment	• Risk due to probability or likelihood of the occurrence of losses relative to expected return on any particular investment.
13	Project	• Risk due to uncertain event or condition that, if it occurs, has negative effect on a project's objectives.

For each risks identified under the Risk Category, it shall then be segmented into 2 segments – Strategic Risk & Reputational Risk – whereby, it shall be incorporated in the Quarterly Risk Register for presentation to the Risk Management & Sustainability Committee.

The definitions of the risks are as follows:

1. Strategic Risk: Risk of failing to achieve the business objectives of the company.
2. Reputational Risk: Potential for negative publicity, public perception or uncontrollable events to have an adverse impact on a company's reputation, thereby affecting its financial.

APPENDICES

A. DETERMINATION OF CONSEQUENCES

CONSEQUENCE TYPE	1 INSIGNIFICANT	2 MINOR	3 MODERATE	4 MAJOR	5 VERY SIGNIFICANT
Financial Loss	<RM100K	Minor loss RM100K - RM250K	Moderate loss RM250K – RM500K	Major loss RM500K – RM1 mil	Significant loss >RM1 mil
Cash Flow Impact	No impact	Minimal impact on cash flow. No external borrowing required / related to SCIB advance required	Cash flow affected. Short term borrowing required (Borrowing of less than 1 year)	Cash flow erosion. Long term borrowing required (Borrowing more than 1 year)	Imminent cash flow erosion. Shareholder borrowing required
Business Objective	Business objective can still be achieved	Business objective can still be achieved	Business objective is threatened	Major threat to business objective	Business objective will most probably not be achieved
Business Interruption	No impact. Business as usual	Up to ½ day	Up to 1 day	More than 1 day but less than 3 days	More than 3 days
Legal & Regulatory Impact	Not applicable	Not applicable	Non-compliance with internal policies and procedures	Non-compliance with external guidelines Breach of contracts	Non-compliance with regulations and Acts
Business Process & System	No amendments on planned activities	Minor amendments to certain parts of planned activities	Minor rework on planned activities	Rework on certain parts of planned activities	Significant or total rework on planned activities
People	No impact	Insignificant level of staff's dissatisfaction	Localized low morale / low staff turnover	Significant spread of low morale / Increasing staff turnover	Group wide low morale / high staff turnover

CONSEQUENCE TYPE	1 INSIGNIFICANT	2 MINOR	3 MODERATE	4 MAJOR	5 VERY SIGNIFICANT
Reputation	No impact on reputation.	Minor impact on Image. Recoverable. (recovery period up to 1 month)	Any event which may tarnish SCIB's reputation but does not attract published adverse publicity (Recovery period up to 3 months	Any event which may tarnish SCIB reputation with a specific customer, group or 3rd party and adverse publicity published in local media (Recovery period up to 6 months)	Adverse publicity in either the local or national press, which attract a newspaper editorial or feature article. (Recovery period of more than 6 months)
Customer Satisfaction	No impact	Minor shareholder dissatisfaction when ROE is more than 5% but less than 8%	Moderate shareholders dissatisfaction when ROE is between 3% to 5%	Major shareholder dissatisfaction when ROE is less than 3%	Very significant shareholder dissatisfaction due to negative returns

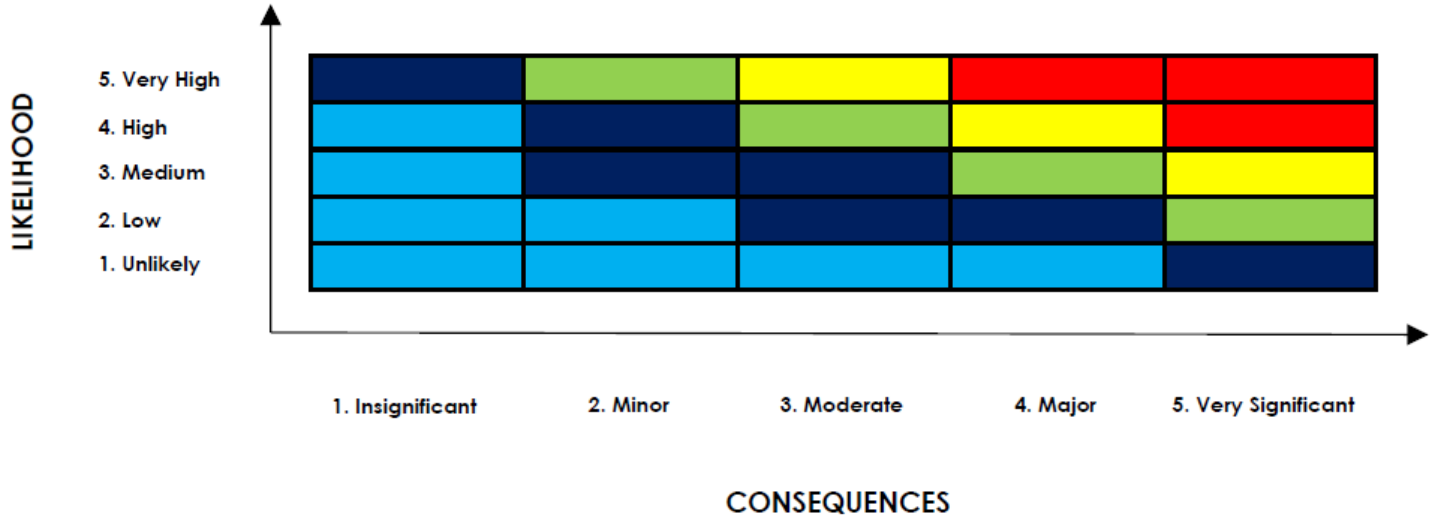
CONSEQUENCES RATING

CONSEQUENCES	RATING
Very Significant	5
Major	4
Moderate	3
Minor	2
Insignificant	1

B. DETERMINATION OF LIKELIHOOD

LIKELIHOOD	RATING	DESCRIPTION	PROBABILITY
Very High	5	Known to happen often	> 80%
High	4	Could easily happen	60% - 79%
Medium	3	Could happen & has occurred before	40% - 59%
Low	2	Hasn't happened yet but could	11% - 39%
Unlikely	1	Conceivable, but only in extreme circumstances	< 10%

C. MATRIX OF CONSEQUENCES & LIKELIHOOD



D. DETERMINATION OF RISK RATING

Category	Description	Risk Score
Very High	Primary risk - Consideration should be given to planning being specific to the risk rather than generic.	20 - 25
High	Significant risk- Consideration should be given to developing strategies to reduce or eliminate the risks, and the risks monitored regularly.	15 - 19
Medium	Less significant risk - but may cause upset and inconvenience in the short term. Consideration given to their being managed under generic planning arrangements.	10 - 14
Low	Unlikely to occur and not significant risk - should be managed using normal or generic planning arrangements and require minimal monitoring and control	5 - 9
Very Low	Very unlikely to occur and not significant risk – control should be compromised and no impact on achieving outcome objectives	1 - 4

E. DETERMINATION OF RISK TREATMENT

There are 4 principal ways in which we can effectively manage risks, upon obtained of Residual Risk Rating:

RATING	TREATMENT	DELIBERATION	CONTROL EFFECTIVENESS
1	Reduce	The risk can be accepted but require some actions or control measures to lessen its likelihood or impact.	Very Good
2	Share	The risk can be spread to scatter, share or divide over an area over period of time.	Good
3	Retain	The risk can be transferred through subscription of Insurance policy and other agreements permit shifting of risks to a counter party.	Satisfactory
4	Avoid	The risks may be eliminated by not engaging in activities / functions.	Non-Satisfactory

F. RISK REGISTER

NO.	RISKS (INHERENT/CONTROL)	RISK CAUSE	CATEGORY	RESIDUAL RISK			IMPLICATION	ACTION PLANS				ACTION STATUS	REMARKS
			BUSINESS RISK – EXTERNAL RISK / OPERATIONAL RISK – INTENAL RISK	POSSIBILITY	IMPACT	RISK SCORE		WHAT	HOW	WHO	WHEN		