

GROUP RISK MANAGEMENT POLICY

1. Introduction

For the purposes of this document, “Company” refers to Farlim Group (Malaysia) Bhd. and “Group” refers to Farlim Group (Malaysia) Bhd. and its subsidiaries.

2. Objective

The risk management objective of the Group is to promote greater appreciation and awareness of risks; and proactive identification and management of risks among the employees in order to continuously strengthen the Group’s risk management competency.

3. Board’s Responsibilities

The primary responsibility of the Board in risk management is to assess and set the risk appetite within which Management should operate and ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks.

4. Risk Appetite

Risk appetite is defined as the amount of risk that the Group is willing to accept in pursuit of its value creation process. When determining the risk appetite of the Group, the Board would consider its business priority and timing as well as the financial position and resources of the Group.

5. Sustainability and Risk Management Committee (“SRMC”)

The Board establishes SRMC to assist them in assessing and overseeing the adequacy and effectiveness of risk management framework and policies in the Group. The composition of the SRMC shall comprise a majority of Independent Directors.

6. Management’s Responsibilities

The responsibilities of the Management with respect to risk management are:

- i. To implement an effective risk management framework;
- ii. To monitor and manage risk in accordance with the Group’s overall risk appetite;
- iii. To identify changes in material or emerging risks and promptly bring these risks to the attention of the Board;
- iv. To promote risk awareness among the employees of the Group;
- v. To educate the heads of departments and line managers of their collective assurance responsibilities to the Board;
- vi. To present and brief the Board and RMC on the Group’s risk profile and register;

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- vii. To assess, update and present the risk status, management action and result of the risk profile to the Board;
- viii. To integrate the risk management process to standard operating procedures and performance appraisal; and
- ix. To assure the Board and RMC that the Group's risk management and internal control systems are operating adequately and effectively.

7. Risk Assurance

Executive Directors and key senior executives should provide assurance to the Board that risk management processes of the Group are working effectively and all key risks are being managed to an acceptable level.

In order to supplement the consideration of the Board on the assurance provided by Executive Directors and key senior executives, the Internal Auditors shall evaluate and provide their objective and independent views on the state of risk management and internal controls to the Board periodically.

8. Disclosure

The annual report and financial statements of the Group should include such meaningful information necessary to assist shareholders' understanding of the main features of the Group's risk management processes and systems of internal control.

The Board should, in its disclosure, include a discussion on how key risk areas such as finance, operations, regulatory compliance, reputation, cybersecurity and sustainability were evaluated and the controls in place to mitigate or manage those risks. In addition, the Board should state if the risk management framework adopted by the Group is based on an internationally recognised risk management framework.

The Board should also disclose whether it has conducted an annual review and periodic testing of the Group's internal control and risk management framework and the insights it has gained from the review as well as changes made to its internal control and risk management framework arising from the review.

Where information is commercially sensitive and may give rise to competitive risk, it is acceptable for the Board to disclose its risk information in general terms.