ANEKA JARINGAN HOLDINGS BERHAD

(Registration No.: 201801030681 (1292707-D))

ENTERPRISE RISK MANAGEMENT POLICY & PROCEDURE

CONTENTS

1. DEFINITION

Definition		Description
AJHB or the Company	:	Aneka Jaringan Holdings Berhad
AJHB Group or the Group	:	Aneka Jaringan Holdings Berhad and its group of subsidiaries
ARMC	:	Audit and Risk Management Committee
The Board	:	The Board of Directors
CFO	:	Chief Financial Officer
ERM	:	Enterprise Risk Management
ERR	:	Enterprise Risk Register
HOD	:	Head of Department
The Policy	:	The Company's Enterprise Risk Management Policy & Procedure

2. INTRODUCTION

2.1. **Purpose**

2.1.1. All activities undertaken by Aneka Jaringan Holdings Berhad ("**AJHB**" or "**the Company**") and its group of subsidiaries ("**AJHB Group**" or "**the Group**") carry an element of risk. 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 any potential adverse effects. Managing risk is the responsibility of everyone in the Group.

2.1.2. This Enterprise Risk Management ("**ERM**") Policy and Procedure ("**the Policy**") outlines the Group's ERM process and sets out the responsibilities of the Board of Directors ("**the Board**"), the Audit and Risk Management Committee ("**ARMC**"), the Managing Director, Senior Management, and all employees within the Group in relation to ERM.

2.2. **Policy Owner**

2.2.1. The Managing Director is the owner of the Policy for the Group.

2.2.2. The Chief Financial Officer ("**CFO**") will have oversight over the ERM process of the Group.

3. UNDERSTANDING RISK MANAGEMENT

3.1. Risk is the chance/possibility of something that may happen and would have an impact on the Group. For the purpose and definition of the Policy, risk is measured in terms of a combination of the consequences/impacts of an event occurring and its likelihood of the event occurring.

3.2. Risk management can be described as the culture, processes, and structures that are directed towards realising potential opportunities whilst managing any adverse effect.

3.3. The Group's ERM process is designed to identify the risks it faces and has measures in place to keep those risks to an acceptable minimum level that is manageable. The existence of risk presents both threats and opportunities to the Group.

3.4. Risk owners are assigned the responsibility of managing identified risks in the Enterprise Risk Register ("**ERR**"). The Group's Risk Assessment Matrix is used as the benchmark in planning and implementing the risk management measures. It takes into consideration the nature, scale, and complexity of the business.

4. RESPONSIBILITIES

4.1. **The Board**

4.1.1. The Board, through the ARMC, has responsibility under its Charter to ensure the followings:

    i. Reviewing the Group's ERM process to satisfy itself that the framework continues to be sound and is adequate enough to effectively identify all areas of potential risks;

    ii. Ensuring that adequate policies and processes have been designed and implemented to manage identified risks;

    iii. Ensuring that a regular program of audits is undertaken to test the adequacy of and compliance with prescribed policies; and

    iv. Ensuring that proper remedial action is undertaken to address any areas of weakness.

4.2. **Managing Director**

4.2.1. The Managing Director is the owner of this Policy and is responsible for:

    i. Setting the Group's Policy as per the risk appetite approved by the Board;

    ii. Ensuring that the Group's Policy aligns with the Group's overall business strategy and objectives; and

    iii. Reviewing and approving any major risk decisions and presenting to the Board and the ARMC for their consideration if necessary.

4.3. **Chief Financial Officer**

4.3.1. The CFO of the Group is responsible for:

    i. Assisting the Managing Director in monitoring the Group's compliance to this Policy;

    ii. Reporting to the Managing Director and the Board on the Group's compliance to this Policy;

    iii. Developing, implementing, and monitoring systems, management of policies and procedures relevant to the business, including facilitating reviews by the executive on a regular basis; and

    iv. Maintaining the ERR.

4.4. **Risk Owner**

4.4.1. A risk owner (as noted in the ERR) is the individual, department, or entity assigned with the responsibility and authority to manage a specific risk within the organisation.

4.4.2. The risk owner is responsible for ensuring on a daily basis that the relevant operational procedures and controls implemented to treat each risk area are adequate and effective.

4.4.3. If a control or procedure is not adequate and effective in treating the risk, the risk owner should report this, with a recommendation for an alternative risk treatment, to the CFO for escalation to the Managing Director and ultimately approval by the Board.
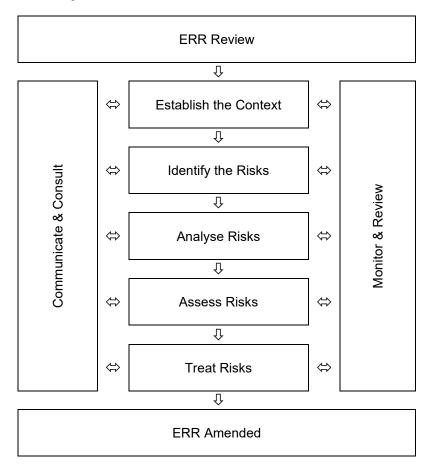
4.5. **General Responsibilities**

4.5.1. Every employee of the Group is responsible for effective management of risk including the identification of potential risks.

4.5.2. Management is responsible for the development of risk mitigation plans and the implementation of risk reduction strategies.

4.5.3. ERM processes should be integrated with other planning processes and management activities.

4.5.4. Where there is legislation in place for the management of specific risks (such as Occupational Health and Safety), this Policy does not relieve the Group of its responsibility to comply with that legislation.

4.5.5. The Head of Departments of the Group ("**HOD**") are accountable for strategic risk management within areas under their control, including the promotion and training of the ERM process to staff.

5. ENTERPRISE RISK MANAGEMENT PROCESSES

5.1. Risks are effectively managed by the Group through effective implementation of various controls, which include:

    i.   Board approved ERM framework;

    ii.   Documented policies and procedures;

    iii.   Maintenance of the ERR;

    iv.   Implementation of risk-based systems and processes;

    v.   Ongoing monitoring of regulatory obligations;

    vi.   Checklists to guide activities and project plans to record actions; and

    vii.   Internal and external reporting

5.2. **Summary of Processes**

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┌─────────────────────────────────────────────────────┐
│                      ERR Review                       │
└─────────────────────────────────────────────────────┘
                          ⇩
┌───────────┐  ⇔  ┌──────────────────────┐  ⇔  ┌───────────┐
│           │     │  Establish the Context│     │           │
│           │     └──────────────────────┘     │           │
│           │              ⇩                    │           │
│           │  ⇔  ┌──────────────────────┐  ⇔  │           │
│ Communicate│     │   Identify the Risks │     │  Monitor  │
│ & Consult │     └──────────────────────┘     │ & Review  │
│           │              ⇩                    │           │
│           │  ⇔  ┌──────────────────────┐  ⇔  │           │
│           │     │    Analyse Risks      │     │           │
│           │     └──────────────────────┘     │           │
│           │              ⇩                    │           │
│           │  ⇔  ┌──────────────────────┐  ⇔  │           │
│           │     │     Assess Risks      │     │           │
│           │     └──────────────────────┘     │           │
│           │              ⇩                    │           │
│           │  ⇔  ┌──────────────────────┐  ⇔  │           │
│           │     │      Treat Risks      │     │           │
└───────────┘     └──────────────────────┘     └───────────┘
                          ⇩
┌─────────────────────────────────────────────────────┐
│                     ERR Amended                       │
└─────────────────────────────────────────────────────┘
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5.3. **The ERM Processes**

5.3.1. The ERM processes are dynamic and is designed to adapt to the Group's developments and any changes in the risk profile over time. Compliance measures are used as a tool to address identified risks.

5.3.2. The ERM processes are based on a structured and systemic process which considers the Group's internal and external risks.

5.3.3. The main elements of the risk management processes are as follows:

Main Element		Description
Communicate and consult	:	Communicate and consult with internal and external stakeholders as appropriate at each stage of the ERM process and concerning the process.
Establish the context	:	Establish the external and internal ERM context in which the rest of the process will take place – the criteria against which risk will be evaluated should be established and the structure of the analysis defined.
Identify risks	:	Identify any material events that could prevent, degrade, delay, or enhance the achievement of the Group's objectives and business continuity, including where, when and why the event could occur and how it could impact the Group.

Record risks	:	Document the risks that have been identified in the ERR owner.
Analyse risks	:	Identify and evaluate existing controls. Determine consequences and likelihood and hence the level of risk by analysing the range of potential consequences and how these could occur.
Assess risks	:	Compare estimated levels of risk against the pre-established criteria and consider the balance between potential benefits and adverse outcomes.
		This enables decisions to be made about the extent and nature of treatments required and about the prioritisation of said risks based on scales.
Treat risks	:	Develop and implement specific cost-effective strategies and action plans for increasing potential benefits and reducing potential costs.
Monitor and review	:	It is necessary to monitor and review the performance of the ERM processes and ensure the effectiveness of all steps of the ERM processes. This is important for continuous improvement. Risks and effectiveness of treatment measures need to be monitored so that changing circumstances do not alter priorities and any changes can be incorporated immediately.

5.4. Type of Risks

5.4.1. The Group's risks may come from any internal or external event which, if it occurs, may affect the ability to operate effectively and efficiently in the industry:

Internal risks	:	Risks that specifically relate to the Group's business itself and as such as generally within its control. They include risks such as employee related risks, strategic risks, and financial risks.
External risks	:	Risks that are outside the control of the Group. They include risks such as market conditions, government policy changes, and legislative changes.

5.4.2. Risks are effectively managed by the Group through the effective implementation of various controls, which include:

i.   Board approved ERM framework;

ii.   Maintenance of the ERR; and

iii.   Regular review of risks and controls, particularly as the business changes.

5.4.3. ERM can be applied at many levels in an organisation. It can be applied at a strategic level and operational level. It may be applied to specific projects, to assist with specific decisions or to manage specific recognised risk areas.

5.5. Business Continuity Management

5.5.1. When identifying and assessing risks, Management needs to consider the possible event of one/more disruptions, emergencies, or disasters that may impact the critical operations of the Group.

5.5.2. To achieve this, Management needs to identify the critical functions and resources and the impact of any identified risks on these functions and resources.

5.5.3. Management also has to develop recovery priorities and strategies to ensure that these critical functions can be restored as soon as possible.

5.6. **ERM Methodology**

5.6.1. The methodology adopted by the Group for managing and treating its risks can be defined as follows:

1. Document an ERM framework (i.e. the context)

2. Identify the general activities involved in running the business (i.e. risk categories)

3. Identify the risks involved in undertaking the specific business activity by asking the questions:

   a. What could happen?
   b. How and why could it happen?

4. Rate the likelihood of the business activity not being properly performed. Likelihood is assessed to the assumption that there are no existing ERM and compliance processes in place. It is assessed as:

Likelihood		Likelihood Rating	Description
Rare	:	1	<25%. Very unlikely to occur
Unlikely	:	2	>25% & <50%. Can reasonably expect to occur
Possible	:	3	>50% & <75%. Will occur several times
Likely	:	4	>75% & <90%. Will occur frequently
Highly likely	:	5	>90%. Will continually experienced

5. Rate the consequence of not properly performing the business activity – damage can be quantified in terms of financial loss to investors and/or the Group itself. It is assessed as:

Impact		Impact Rating	Description
Immaterial	:	1	<RM100k. Negligible business impact
Minor	:	2	>RM100k & <RM500k. Slight business impact
Moderate	:	3	>RM500k & <RM1.0 million. Limited business impact
Major	:	4	>RM1.0 million & <RM5.0 million. Significant business impact
Extreme	:	5	>RM5.0 million. Disastrous business impact

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6. Assign the inherent risk score based on a combination of the ratings.

$$\text{Likelihood} \times \text{Impact} = \text{Risk Score.}$$

7. The ranks of the risk score may be assessed as:

Risk Ranking		Risk Score	Description
Low risk	:	1 – 4	Manage through routine procedures / unlikely to need application of specific resources
Medium risk	:	5 – 9	Specific monitoring or procedures required / line management involved
High risk	:	10 – 19	Action plan required / senior management will be involved
Extreme risk	:	20 – 25	Immediate action required / exco will be involved

8. Decide whether a control is necessary given the level of risk, based on the risk level (likelihood and impact) and if so, identify the necessary control.

9. Assess whether the existing controls are adequate and allocate the responsibility of monitoring the control to treat the risk. This will integrate risk management and compliance to daily activities and facilitate appropriate control of operational risk.

10. Raise awareness about managing risks across the organisation through communicating the Policy and responsibilities.

11. Routinely monitor and review ongoing risks so can risk can be effectively managed.

5.6.2. The Enterprise Risk Assessment Matrix is shown in the Appendix.

6. APPENDIX

6.1. Enterprise Risk Assessment Matrix

Likelihood	Impact				
	Immaterial (<RM100K)	Minor (>100K & <RM500K)	Moderate (>RM500K & <RM1.0mil)	Major (>RM1.0mil & <RM5.0mil)	Extreme (>RM5.0mil)
Highly likely	Medium	High	High	Extreme	Extreme
Likely	Low	Medium	High	High	Extreme
Possible	Low	Medium	Medium	High	High
Unlikely	Low	Low	Medium	Medium	High
Rare	Low	Low	Low	Low	Medium