

PROTASCO BERHAD

RISK MANAGEMENT POLICY

In reference to *Malaysian Code of Corporate Governance 2012* ('Code') and *Statement of Risk Management and Internal Control* (Statement), the Company is committed to effectively implementing risk management, by adopting good practices in identifying, assessing, managing and monitoring risks. This policy is established in order to:

- Embed sound system of risk management into the culture, processes and structures of the Company;
- Raise awareness of the need for sound risk management system;
- Provide framework for effective risk management system;
- Anticipate and respond to changing social, environmental and legislative requirements;

The Policy sets out the key area to be addressed in achieving the requirements of the Risk Management Policy. The main aspects covered within the policy are:

- Responsibility for Risk Management
- Approach to Risk Management
- Resourcing Risk Management
- Monitoring and Reporting Arrangements
- Review of Risk Management Policy

Responsibility for Risk Management

The Board has a responsibility for setting the tone and culture towards effective risk management. The management is accountable to the Board for implementing and monitoring the system of risk management and for providing assurance to the Board that it has done so. The responsibilities of management in respect of risk management should include:

- Identify the risk relevant to the business and achievement of objectives and strategies;
- Design, implement and monitor the risk management framework in accordance with the Company's strategic goals and risk appetite; and
- Identify changes to risk or emerging risks, take action as appropriate and promptly, bring these to the attention of the Board.

Approach to Risk Management

The Company's approach to Risk Management requires that risks should be identified and managed in the most cost-effective manner within overall resources available and on a timely basis. The following are approaches that the Company should adopt:

- To set the risk appetite at acceptable level;
- To manage risk routinely and in an integrated and transparent way; and
- To document the risk elements, its evaluation, tolerance level and risk treatment.

A detailed implementation plan may be required to set out how each category of risk is to be covered, and the method for dealing with different levels of risk within each category.

Resourcing Risk Management

- **Staffing**
As risk management framework needs to be embedded within the culture and processes in the Group, appropriate training and awareness are vital for successful risk management implementation. A dedicated officer should be appointed to coordinate and record all risk management activities within the Group.
- **Information Systems**
Information technology needs to be used in implementing effective risk management. The benefits of acquiring or developing risk management database systems as a mean of managing risk data and providing meaningful management information should be considered.

Monitoring and Reporting

The respective heads of business units shall monitor the effectiveness of risk management system and continually adapt to the changes. Internal Audit Department, while conducting their audit shall review the adequacy and effectiveness of risk management system and report to the management and Audit Committee on the outcomes.

Review of Risk Management Policy

The Risk Management Policy will be reviewed periodically and updated in accordance with the needs of the Company.