PIMPINAN EHSAN BERHAD
(201601021838) (1192777-W)
(Incorporated in Malaysia)

RISK MANAGEMENT POLICY

Pimpinan Ehsan Berhad ("PEB" or the "Company") is committed to integrating good risk management practices into all business processes and operations to drive consistent, effective and accountable action, decision making and management practice.

Just as risk is inherent in our operations, risk management is also inherent in all decision making and management processes. Risk management is essential to good corporate governance and is a fundamental component of good management practice.

This policy sets out the objectives and accountability of the management of risk within the Company such that it is structured, consistent and effective

OBJECTIVES

This policy provides an overview of our approach to risk management and illustrates examples of how this approach is implemented within the organization.

Effective risk management within the Company include the following objectives;

a). Form a basis for the Company's decision making processes from the development of its strategy and objectives to its daily operations, reporting and compliance routines;
b). Allow the recognition of external factors and anticipate future occurrences that may affect the achievement of our strategy;
c). Provide an understanding of the nature of risk to effectively mitigate downside whilst optimising and realising upside;
d). Optimize risk management by balancing the cost of risk with the cost of control for all aspects of the Company's potential risk areas to ensure organizational objectives are met;
e). Provide appropriate, consistent and transparent ownership and accountability structure;

f). Recognise that timely and accurate monitoring, review, communication and reporting of risks is critical to:

- providing early warning mechanisms for the effective management of risk occurrences and consequences;
- providing assurance to management, the Board and shareholders;
- providing a solid platform for growth;
- generating and maintaining a sound corporate track-record; and
- enhance value and preserve the longer-term viability of the Company.

RISK MANAGEMENT PROCESS

Risk management is a business decision making process to identify and manage uncertainty. The steps in the risk management process (or a variety thereof) include:

- Risk and opportunity identification;
- Risk evaluation and assessment;
- Strategic risk response and implementation; and
- Risk review, evaluation and monitoring.

1) Risk and Opportunity Identification

Identification of risks should occur on an on-going basis for existing processes and on an ad-hoc basis as required for new projects or changes contemplated to existing processes.

In the risk identification process, all potential events that could adversely impact the achievement of business objectives are identified by the Audit & Risk Management Committee ("ARMC").

The risks can typically be categorised into the following four of the Company's objectives;

- Strategic – high level goals, aligned with and supporting Company's mission
- Operation – effective and efficient use of resources
- Reporting – reliability of financial reporting
- Compliance – comply with applicable laws and regulations

2) Risk evaluation and assessment

The identified risks shall be evaluated and assessed for their impact on the Company. The potential impact of a risk event is the combination of the likelihood (probability) which the risk will happen and the impact (gravity) which it will cause if the risk does happen.

A score of (1) to (4) will be assigned for likelihood and impact respectively. A risk with a high rating poses more serious threat to the Company than a low rating risk.

3) Responses to risks

For each risk identified, the management will have one or more of the following response options:

- **AVOID** the risk by not proceeding with an activity which generates the risk;
- **TREAT** the risk by applying controls to minimize the likelihood or impact of the risk;
- **TRANSFER** the risk by sharing the impact of the risk with outside parties such as insurance or joint venture; and
- **TOLERATE** the residue (balance) risk if it is within the Company's risk appetite.
  In determining the risk appetite, the Management will consider its priority, financial position of the Company as well as adequacy of its resources and timing.

4) Risk control strategies

For each of the type of risk response chosen, the relevant control strategies are identified.

If an existing control falls short of its effectiveness or if there is no existing control in managing a significant risk, then new control strategies must be developed to manage the risk so that the residue risk is reduced to an acceptable level.

5) Monitoring of risks and controls

Ongoing risk monitoring is conducted to review the effectiveness of the control strategies in respect of the risks identified and that corrective actions are taken where necessary.

6) Periodic review

The risk profile of the Company changes with the internal and external developments. Therefore, an effective risk management project is not a one-time exercise but an ongoing process which forms part of the operation of the Company. In this regard, the risk profile and control processes will be continually updated on a regular basis, at least annually.

7) Internal Audit

The internal audit function plays an independent role in the risk management system. It will regularly review the effectiveness of the risk management and internal control processes, and make necessary recommendation for improvement.

<u>ACCOUNTABILITY</u>

a). Board of Directors

The Board is primarily responsible for overseeing risk management in the Company. In doing so, the Board will perform the following responsibilities. However, the Board may delegate its risk management oversight role to ARMC, if needed.

- Review management practices, policies, processes, responsibilities and actions on risk management;
- Review the status of principal risks and management action and assess whether these risks are being managed adequately and effectively based on the Company's risk appetite;
- Obtain feedback on the adequacy and effectiveness of risk management and internal control from the senior management, Internal Auditors and External Auditors annually; and
- Review and ensure that risk disclosure in the annual report are made in compliance with the provisions of the Bursa's Listing Requirement.

b). ARMC

i. The ARMC is authorised by the Board to have direct communication channels and access to the Management, the Company's reports and records, and obtain external independent professional advice as necessary.

ii. The ARMC is not authorised to implement its recommendations on behalf of the Board, but shall make recommendations to the Board on risk related matters for its consideration and implementation.

iii. The ARMC shall provide oversight, direction and counsel to the risk management process which includes:
   - Monitoring the Company's level of risk exposures;
   - Evaluating new risks identified;
   - Ensuring significant risks are being responded in appropriate manner; and
   - Reviewing the status of the implementation of management action plans in mitigate significant risks identified.

   The duties and responsibilities of the ARMC are detailed out in its Terms of Reference.

c). Management

Following are Management's responsibilities on risk management:

- To promote risk awareness culture among the employees of the Company;
- To educate the heads of departments and line managers of their collective assurance responsibilities to the Board;
- To monitor and manage risk in accordance with the Company's risk appetite;
- To assure the Board that the Company's risk management and internal control systems are operating adequately and effectively; and
- To brief the Board on the status of risk and management actions.

The Executive Director and senior management responsible for the management and financial matters respectively, shall ensure that the above responsibilities are being carried out and at the same time, provide assurance to the Board stating whether the Company's risk management and internal control systems are operating adequately and effectively.

d). Employees

Employees are to carry out their duties according to their respective job descriptions complying with the Company's policies and procedures. The Employees shall also report any perceived risks to the Management.

MODIFICATION

The Company reserves the right to review, amend or update this policy at any time as it may deem necessary, subject to the approval of the Board.

This policy has been approved and adopted by the Board of Directors on 30 June 2022.