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THONG GUAN INDUSTRIES BERHAD
(324203-K)

RISK MANAGEMENT POLICY

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1. POLICY STATEMENT

Thong Guan Industries Berhad (“TGIB”) and its subsidiaries (hereafter collectively known as “TGIB Group” or the “Group”) recognises that a consistent and comprehensive risk management framework is instrumental to assist the Group to make more informed decisions which aligning with TGIB’s strategic direction and the Group objectives. The Board of Directors (the “Board”) through its Chief Risk Officer and Risk Management Task Force (“RMTC”) is responsible to embed sound risk management framework and practices in the day-to-day business operations and ensure the Group is managing the risks proactively in a structured and consistent manner.

2. RISK MANAGEMENT POLICY

Risk is defined as “the possibility that events will occur and affect the achievement of strategy and business objectives.”

This policy is not designed to eliminate all the risks from TGIB’s business activities, but as the overarching policy to set out to manage risk in a systematic approach. This policy addresses the organisation’s risk management philosophy, the processes and procedures that are in place to identify, communicate and managing the risks that TGIB faces in the pursuit of its business objectives. The policy also ensures that risk responsibilities have been appropriately delegated across the Group.

3. POLICY OBJECTIVES

The objectives to incorporate risk management into strategic planning and business strategy, creating an effective corporate governance by:

- providing a consistent and systematic risk management framework in and implemented across the group;
- ensuring a robust risk assessment process is conducted with appropriate risk treatment strategies which is cost effective and efficient in managing the risk;
- improving the decision-making processes with the risk information; and
- provide assurance and protecting stakeholders' interests.

4. SCOPE OF THIS POLICY

Risk management is the responsibility of all, rather than being a stand-alone discipline. TGIB committed to integrate the risk management practices across the Group. The Risk Management Policy establishes a mechanism for identifying, analysing, evaluating, treating, monitoring and reporting risks within the organisation.

5. RISK MANAGEMENT FRAMEWORK

TGIB acknowledges that effective risk management is an essential component in the framework of good corporate governance, and is an integral part of good management practice for company's sustainability and continuous growth.

Risk management goes hand-in-hand with sound corporate governance, whereby risk management framework initiates effective assessment and management of risks to ensure that risk-taking activities are aligned with the Group's capacity to absorb losses and sustaining the long-term viability. The risk management framework adopted by the Group is based on the international recognised risk management, which is COSO Enterprise Risk Management Framework. TGIB practises the group risk management functions based on the principles, framework and process as illustrated below:



6. RISK GOVERNANCE

Internal control and risk management are fundamental components of good corporate governance. The Group adopted various internal controls in line with their policies and procedures to manage the risk of organisation. A risk register is kept and maintained by the Senior Management after identifying and assessing the risk for on-going monitoring of the risk, in relation to the Group appetite. TGIB recognised the activities to manage the risks of the organisation as the central and essential role in maintaining a sound system of internal control.

TGIB incorporates the system of internal control as a part of risk management to ensure effective and efficient operations. The Group adopted risk based internal auditing which the audit planning is driven from the organisation's risk register for objective assurance of the organisation.

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7. RISK MANAGEMENT PRINCIPLES

TGIB practises effective and efficient risk management to achieve value creation and protection by applying the following principles:

a) Integrated

Risk management is an integral part of all organizational activities.

b) Structured and comprehensive

A structured and comprehensive approach to risk management contributes to consistent and comparable results.

c) Customized

The risk management framework and process are customized and proportionate to the organization's external and internal context related to its objectives.

d) Inclusive

Appropriate and timely involvement of stakeholders enables their knowledge, views and perceptions to be considered. This results in improved awareness and informed risk management.

e) Dynamic

Risks can emerge, change or disappear as an organization's external and internal context changes. Risk management anticipates, detects, acknowledges and responds to those changes and events in an appropriate and timely manner.

f) Best available information

The inputs to risk management are based on historical and current information, as well as on future expectations. Risk management explicitly takes into account any limitations and uncertainties associated with such information and expectations. Information should be timely, clear and available to relevant stakeholders.

g) Human and cultural factors

Human behaviour and culture significantly influence all aspects of risk management at each level and stage.

h) Continual improvement

Risk management is continually improved through learning and experience.

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8. RISK MANAGEMENT PROCESS

8.1 Communication and consultation

Communication is a crucial element of effective risk management. Effective communication sets to promote risk management culture in the Group operations; Consultation sets to obtain input from various parties to support decision making. Both communication and consultation help the stakeholders to understand the risk and ensure appropriate consideration is taken when defining the risk criteria and evaluating the risk.

8.2 Establishing the Scope, Context, Criteria

Risk management will be incorporated into TGIB's strategic and operational planning processes at all levels within the Group considering the Group's risk appetite and objectives. TGIB identified the stakeholders that that having interest to the Group and objectively perform the risk management exercise. Stakeholders that TGIB identified as follows:

Internal stakeholder	External stakeholder
<ul style="list-style-type: none">• Board of Directors• Risk Management Task Force (RMTC)• Senior Management• All Divisions / Departments• Internal Auditors	<ul style="list-style-type: none">• Customer• Supplier• Regulatory bodies• External Auditors• Other third-party service providers and business associates

TGIB also defined the amount and type of risk that the Group may or may not take, which aligned with the risk management framework to support decision-making processes. TGIB's Risk Parameters (as attached in *Appendix A*) serves as a benchmark of the amount of risk the Group willing to take into consideration and shall be reviewed annually or upon changes in the business.

8.3 Risk Assessment

Risk identification is a key step in the risk management process to establish the risk exposed by the Group. Various tools and technique can be adopted to find, recognize and describe risks that might help or prevent TGIB achieving its objectives. Nevertheless, the following factors, and the relationship between these factors will also be considered by the Group:

- ❖ tangible and intangible sources of risk;
- ❖ causes and events;
- ❖ threats and opportunities;
- ❖ vulnerabilities and capabilities;
- ❖ changes in the external and internal context;

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- ❖ indicators of emerging risks;
- ❖ the nature and value of assets and resources;
- ❖ consequences and their impact on objectives;
- ❖ limitations of knowledge and reliability of information;
- ❖ time-related factors;
- ❖ biases, assumptions and beliefs of those involved.

In analysing the risk identified, the causes and consequences of the risks are written and documented accordingly which includes the ownership assigned for the identified risk. Risk analysis also involves the considerations of level of risk by measuring the likelihood and impact of the risk, including the current controls and their effectiveness.

Risk analysis provides an input to risk evaluation, and priorities the risk identified which may need immediate attention by the management using the Risk Matrix / Scoring (as attached in *Appendix B*). The management can further make decisions on whether the risk needs to be treated and how, and on the most appropriate and cost-effective risk treatment strategy and methods.

8.4 Risk Treatment

The purpose of risk treatment is to select and implement options for addressing risk to acceptable level. Risk treatment process involves:

- formulating and selecting risk treatment options;
- planning and implementing risk treatment;
- assessing the effectiveness of that treatment;
- deciding whether the remaining risk is acceptable;
- if not acceptable, taking further treatment.

Risk treatment options to mitigate the relevant risks includes:

Accept	Contingency plans for risk
Reduce	Reduce likelihood or impact of risk
Transfer	Having third party take on responsibility for risk
Avoid	Eliminate cause of risk

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8.5 Monitoring and review

The risk management process shall be continuously monitored and reviewed via the Board to ensure the effectiveness of the Group's risk management profile. TGIB recognised process of monitoring and review should be taken at each stages of risk process which includes planning, gathering and analysing information, recording results and providing feedback.

8.6 Recording and reporting

The risk management policy and risk register shall be kept and periodically reviewed and updated in accordance with the needs of the Group and any new regulations that may have an impact on the Group's risk management. The reporting structure (as attached in *Appendix C*) has defined the reporting responsibility to ensure communicate risk management activities and outcomes across the organisation.

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APPENDIX A

LIKELIHOOD

Level	Risk category	Attributes
1	Rare	<ul style="list-style-type: none">•The incident may occur in exceptional circumstances•(0%-10%).
2	Unlikely	<ul style="list-style-type: none">•The incident could occur in certain circumstances•(11%-40%).
3	Possible	<ul style="list-style-type: none">•The incident might occur in certain circumstances•(41%-60%).
4	Likely	<ul style="list-style-type: none">•The incident will probably occur in most circumstances•(61%-90%).
5	Almost certain	<ul style="list-style-type: none">•The incident is expected to occur in most circumstances•(91%-100%).

IMPACT

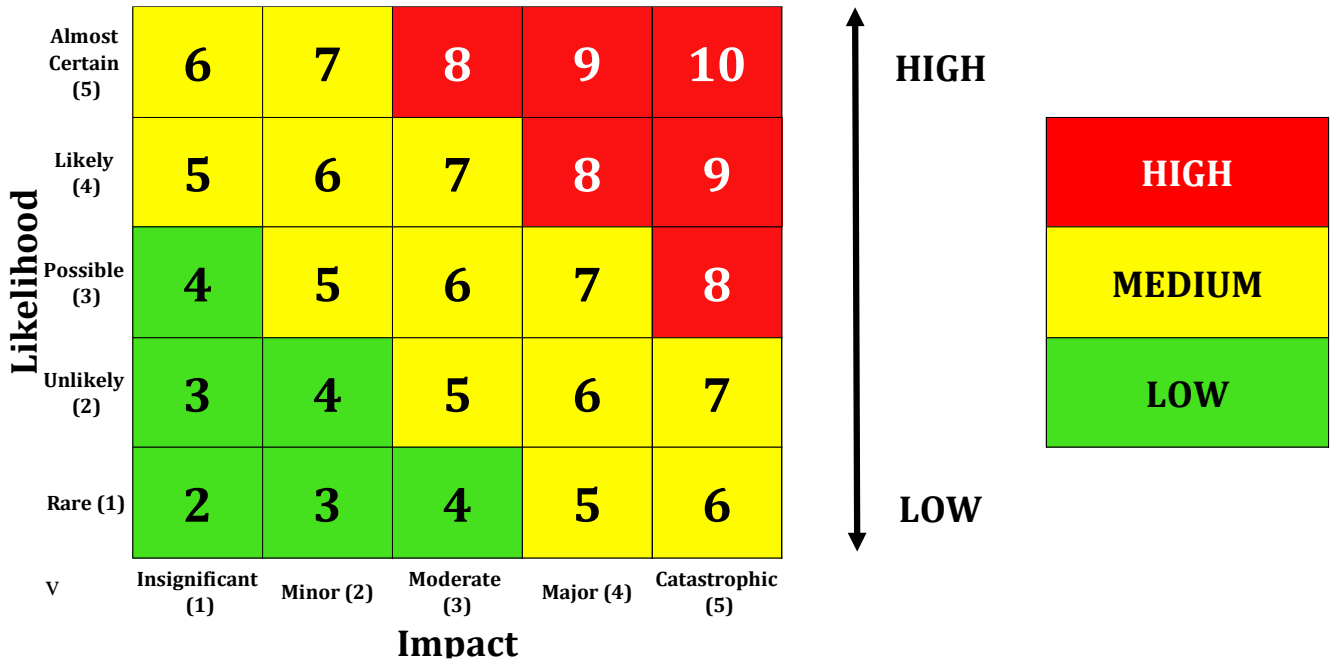
Level	Risk category	Attributes
1	Insignificant	Insignificant impact on internal business. The impact can be readily absorbed through normal activity.
2	Minor	Impact on internal business only. The impact can be absorbed with management effort.
3	Moderate	Significant impact on the business and would affect customers. An event which requires additional management effort.
4	Major	Major impact on business - major damage to organization's ability to service customers. A serious event which requires extraordinary management effort.
5	Catastrophic	Organization will collapse. A critical event which requires external expertise in addition to management effort.

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Impact	Risk category	Financial	Operational	Safety	Legal & Regulatory	Reputation / Image
1	Insignificant	< 5% of average annual Profit Before Taxation (PBT)	Negligible interruption to operation activities or negligible impact on output quality.	Minor injury/illness affecting <Impact 5 workers.	Negligible impact.	No impact on image.
2	Minor	5%<X<20% of average annual PBT	Some delay to operation activities/ tolerant defect in output.	Minor injury/illness affecting a number of workers.	Reprimand from regulatory authority.	There is potential impact on market share and image.
3	Moderate	20%<X<50% of average annual PBT	Significant delay in operation activities or significant defect rectification works.	Injury/illness leading to temporary disablement of any worker.	Reprimand from regulatory authority with imposition of penalty.	Market share and/or image will be affected in the short term.
4	Major	50%<X<90% of average annual PBT	Prolong interruption to operation activities or major defect rectification works that resulted substantial project loss.	Injury/illness leading to permanent disability of any worker.	Prosecution by regulatory authority leading to fine or/ and imprisonment of company officer.	Serious diminution in image and market share with adverse publicity.
5	Catastrophic	≥90% of average annual PBT	Permanent shutdown of operation activities or totally irrecoverable shoddy output	Injury/illness leading to death of any worker.	Revocation of business license by the relevant authority or jail sentence for directors.	Sustained, serious loss in image and market share.

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APPENDIX B



APPENDIX C

