

**Texchem Resources Bhd**  
**Group Risk Management Policy**

**1. Scope**

This Policy applies to the activities of the Group comprising the Company and its' subsidiaries including those overseas.

**2. Objectives**

2.1 Risk Management is an integral part of management function in the Group and as such, it is the clear responsibility of Management. The objectives of this Policy are to:

- Ensure that there is a clear statement of the Group's attitude towards risks
- Ensure that the implementation of an effective risk management framework is consistent with the Group achieving its objectives
- Ensure that risk management is embedded in the Group's processes and culture, thus contributing to the achievement of its objectives
- Assist in the development of organisational capabilities in risk management
- Provide a structural risk management framework that allows management and the Board to manage and control key risks adequately and effectively
- Drive the accountability for the identification and mitigation of key risks in the Group
- Enhance shareholder value by minimising losses and maximising opportunities

**3. Benefits**

3.1 Effective management of key risks is vital to the continued growth and success of the Group. Some of the benefits of risk management are as follows:

- Provides greater certainty and confidence for stakeholders and shareholders
- Enhances effective strategic planning
- Identifies risks and opportunities and their associated Management's actions
- Promotes increased knowledge and understanding of exposure to risks and opportunities
- Improves cost control and project management
- Achieves effective utilisation and prioritisation of resources
- Assigns accountability and timeframes for execution

**4. Roles and Responsibilities**

4.1 Responsibility for risk management is shared across the Group. These key responsibilities are described in the next few subsections.

4.2 "First line of Defence" (Operations management) – performs and monitors day-to-day risk management activities:

- Managers are accountable for activities applying the principles of risk management within their areas of responsibility and fostering a risk aware culture among all their employees

- The Divisional Management team is responsible for reviewing their risk profile regularly, fostering a risk aware culture and reporting to the Board on the effectiveness of the risk management framework and of the Divisional management of key risks
- 4.3 “Second line of Defence” (Risk and Compliance Oversight) – sets the direction and establishes policy and business rules:
- The Group Chief Risk Officer and Divisional Management are responsible for designing, implementing and improving the Risk Management Framework as part of the Enterprise Risk Management programme
- 4.4 “Third line of Defence” (Independent Assurance) – provides independent Assurance:
- Internal audit provides independent assurance on the adequacy and effectiveness of risk management and internal control systems
  - External audit provides independent assurance on the financial reporting risks and controls impacting the financial statements
- 4.5 “Fourth line of Defense” (Board Oversight) – maintains oversight and monitors the effectiveness of the Group’s risk management activities and internal controls:
- The Board reviews the adequacy and effectiveness of risk management and internal controls covering strategic, financial, operational, and compliance risks
  - The Board is responsible for satisfying itself annually or more frequently as required that the Group has developed and implemented an adequate and effective risk management and internal control system.

## **5. Risk Management Framework**

- 5.1 The Group seeks to manage its risk profile effectively. This reflects the view that satisfactory fulfilment of its objectives could be compromised as poorly managed risks would lead to impaired operations, significant financial losses and or damage to the Group’s reputation.

The Risk Management Framework being adopted by the Group is consistent with MS ISO 31000:2010 Risk Management – Principles and Guidelines. The Framework comprises the following processes:

- Strong “tone at the top” for establishing a “risk aware” culture across all levels of the Group
- Identifying and analysing the Group’s key risks and opportunities
- Evaluating risks to form an opinion objectively if they are tolerable
- Implementing appropriately designed control systems and procedures to manage key risks consistent with the Group and Divisional risk appetite
- Treating key risks with formulated responses following risk identification including assessment and implementation of risk treatment plans
- Documenting these processes in risk registers as the main form of documentation supplemented by risk manuals or related documents

- Monitoring and reviewing continuously the effectiveness of risk controls and action plans in place.
- Risk reporting to Management and the Board.

## **6. Policy Administration**

- 6.1 This Policy is administered by the Group Chief Risk Officer. Practices established and used for risk management should demonstrate alignment and consistency with the principles and requirements of this Policy.
- 6.2 The Group is committed to make the necessary resources available to assist those accountable and responsible for risk management.
- 6.3 This Policy and the Risk Management Framework should be reviewed for improvement annually or more frequently and if required, be amended or reviewed when there is a significant change in circumstances (such as an organisational restructuring). Changes to this Policy must be approved by the Board.
- 6.4 This Policy is published on the Company's website and intranet.