UNIQUE FIRE HOLDINGS BERHAD
Registration No. 202101013602 (1413901-D)

Risk Management
and
Internal Control Framework

Effective Date : 5 November 2021
Rev : 00

1. INTRODUCTION

Unique Fire Holdings Berhad ("**UFH**" or the "**Company**") and its subsidiaries (the "**Group**") recognises the need to systematically manage and regularly review its risk profile at a strategic and operational level. In relation thereto, the Group has developed a Risk Management and Internal Control Framework that determines the process and identifies tools for realising its objectives.

The risk management and internal control framework ("**Framework**")'s scope is Group-wide and is aligned with key strategic and operational plans. This Framework is managed by Ryan Liew and overseen by the Executive Directors and Audit and Risk Management Committee ("**ARMC**") of the Board.

The Framework and the methodology that support it will be reviewed periodically and updated (where necessary) to provide continuous process improvement with respect to developments in risk management and compliance practices.

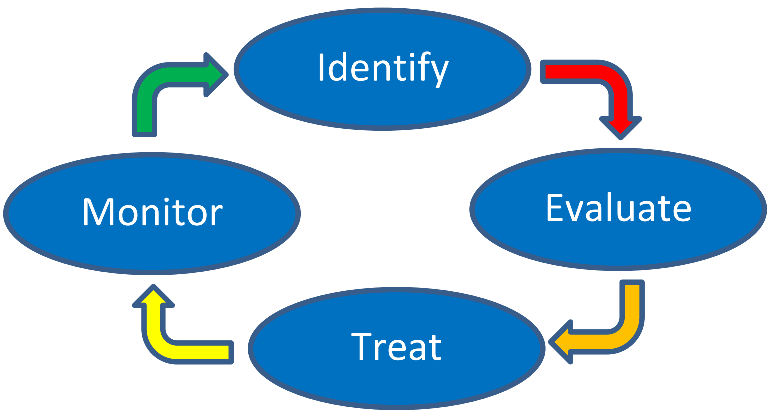
2. KEY OBJECTIVES

The Group's risk management and internal control objectives are to:

- Supports the fulfilment of the Group's strategic objectives;
- Optimise business opportunities and returns to the Group and protect the interest of stakeholders including shareholders, customers and employees, within acceptable level of risks;
- Develop a 'risk aware' culture that encourages employees to identify risks and associated opportunities and to respond to them with cost effective measures/ actions;
- Safeguard the Group's assets and maintain its reputation and brand values; and
- Identify and assess operational risks and other related business risks in order to improve the Group's operating performance without compromising effectiveness of internal control procedures.

3. RISK MANAGEMENT

Risk management is the process of defining and analysing risks, deciding on the appropriate course of action to minimise or mitigate impact from the identified risks whilst still achieving the Group's business goals or objectives. It comprises of four (4) components as below:



Identification	As part of strategic planning process and day-to-day management of the business, functional leaders identify internal and external events that may affect the achievement of the Group's objectives.
Evaluation	To evaluate and determine the risk exposure, considered as function of likehood and impact of the occurrence (refer to risk rating matrix below). Risk responses may include avoiding, accepting, reducing or transferring risk.
Treat	To ensure that risk responses are carried out effectively and consistently througout the Group. This involves formalising risk response in Group policies, ensure clear accountability, utilising self-assessment and monitoring tools and designing controls into the Group's processes.
Monitor	Periodically review risk register as well as assurance activities (i.e. auditing) to ensure risks are identified and evaluated, and appropriate controls are in place.

The Group will maintain a risk register that identifies and registers key strategic and operational risks as and when the risk is identified by the respective Head of Department/ Business Unit/ Division. The identified risks will be evaluated and classified according to the level of impact (i.e., low, medium or high). Further, control measures/ actions taken or to be taken will be included into the risk register.

Effectiveness of the control measures/ actions stated in the risk register will be reviewed and reported to the ARMC on periodic basis (i.e., quarterly, half-yearly) or on a frequency as determined by the ARMC.

4. EXTEND AND CATEGORY OF RISK

In determining whether a risk is acceptable to the Group, the Board of Directors and the Group Managing Director must first ascertain the levels of risk appetite of the Group.

Risk appetite refers to the risk tolerance vis-à-vis the returns, or simply the extend of risk that a company can take or tolerate in relation to the potential gains or advantage for a specific condition. In computing the risk appetite, the industry's risk appetite, the expected return on investment or any other means can be taken into consideration.

The extent and category of risk, where practical and possible, should be determined by taking into consideration various factors such as, among others, the nature of the Group's principal activity(ies), the industry norm and risk appetite. It should be noted that it is not always possible to quantify the magnitude of the extent of risk in some instances particularly in safety and human resources risks.

Description	Extent and category of risk
LOW	• Adverse impact of less than 1% of group profit before tax, group net revenue, net assets, or shareholders' funds, whichever is the lowest. • Consequences can be absorbed under normal operating conditions. • No material impact on market share and/or reputation of company.
MEDIUM	• Adverse impact of more than 3% of group profit before tax, group net revenue, net assets, or shareholders' funds, whichever is the lowest. • Potential impact on market share or reputation of company. • Encouraged to have action plan(s) to address the risk.
HIGH	• Adverse impact of more than 5% of group profit before tax, group net revenue, net assets, or shareholders' funds, whichever is the lowest. • Market share, reputation or value of company will be affected in the short-term. • Requires action plan(s) to address the identified risk.

5. RISK ASSESSMENT

In risk assessment, each risk identified is measure for:

(a) Expected likelihood

The expected likelihood or the expected frequency of the risk occurring taking into consideration current risk treatments (i.e., ability to reduce the incidence of risks that do materialise, including the adequacy and effectiveness of the internal control system) in place. Best judgment should be made based on the table below and on the risk owner's management experience and intuition.

Likelihood	Description
Almost Certain (>90% chance)	This risk is expected to occur in most circumstances
Likely (71% - 90% chance)	This risk will probably occur in most circumstances
Moderate (31% - 70% chance)	This risk should occur at some time
Unlikely (11% - 30% chance)	This risk could occur at some time
Rare (below 10% chance)	This risk may only occur in exceptional circumstances

(b) Impact

Impact or the expected level of effect on the Group of a risk occurring taking into account the current internal control system in place.

Impact	Description
Catastrophic	• Company ongoing survival at risk. A situation that would cause a standalone business to cease operation.
Major	• Significant impact on the achievement of strategic objectives and targets relating to corporate plan. • Business severely damaged, e.g., loss of more than RM100,000
Moderate	• Disruption of normal operations with limited effect on the achievement of strategic objectives or targets relating to corporate plan. • Some disruption to the business operations, e.g., damage ranging between RM60,000 to RM100,000
Minor	• No material impact on the achievement of business objectives or strategy. • Small disruption to the business operations, e.g., damage less than RM60,000
Insignificant	• Negligible impact

(c) Risk rating matrix

RISK MATRIX						
		IMPACT				
		(E) INSIGNIFICANT (small issue can be tackled easily)	(D) MINOR (small disruption possible, e.g. damage less than RM60k)	(C) MODERATE (some disruption possible, e.g. damage RM60-100K)	(B) MAJOR (business severely damaged, e.g. loss of more than RM100k)	(A) CASTATROPHIC (company survival at risk, lawsuit or closure of operation)
EXPECTED LIKELIHOOD	(A) ALMOST CERTAIN (>90% chance)	MEDIUM	HIGH	HIGH	HIGH	HIGH
	(B) LIKELY (71-90% chance)	MEDIUM	MEDIUM	HIGH	HIGH	HIGH
	(C) MODERATE (31-70% chance)	LOW	MEDIUM	MEDIUM	HIGH	HIGH
	(D) UNLIKELY (11-30% chance)	LOW	LOW	MEDIUM	MEDIUM	HIGH
	(E) RARE (below 10% chance)	LOW	LOW	LOW	MEDIUM	MEDIUM

6. RISK TREATMENT

This phase is primarily a decision-making process in which it is decided how each risk is treated or dealt with. In deciding the treatment to be used, size of the potential loss, its probability and the resources available to meet the loss should it occur must be considered. The benefits and costs in each approach must be evaluated, guided by the corporate risk management policy, before a decision is made. Risk treatments include:

- **Accept the risk**
  Allow minor risks to exist to avoid spending more on managing the risks than the potential harm. As a general rule, risks that should be accepted are those that will lead to relatively small certain losses. However, such risks, if commonly occurring should be monitored cumulatively.

- **Avoid the risk**
  Avoidance takes place when decisions are made that prevent a risk from even coming into existence i.e., the organisation refuses to accept the risk. Often, it is judged that the risk is not worth the potential gain. Risk avoidance should be used when the exposure has catastrophic potential and risk cannot be reduced or transferred. It should only be used when there is no other alternative as extensive risk avoidance will result in an organisation not being able to achieve its primary objectives.

- **Transfer the risk**
  Risk may be transferred or distributed to another party who is more willing to bear the risk. Some techniques of risk transfer are the process of hedging, purchase of insurance, subcontracting of certain activities or some other contractual arrangements.

- **Reduce the risk**
  Risk may be reduced in two (2) ways namely, reducing the consequence of risk and/ or reducing the likelihood of the risk occurring.

- **Reduce consequence**
  In reducing the consequence of risk i.e., reducing the severity of losses that do occur, loss control efforts and measures are taken.

- **Reduce likelihood**
  Reducing the likelihood of risk occurring, may not eliminate all risk or prevent all losses but reduces the frequency of losses from occurring.

7. RISK MONITORING AND REPORTING

Effectiveness of the control measures/ actions for new and existing risks stated in the risk register will be reviewed on quarterly basis by the management.

Further, the risk registers will be reported to the ARMC on periodic basis (i.e., quarterly, half-yearly) or on a frequency as determined by the ARMC.

8. COMMUNICATION

The whole process of risk management must be communicated to all employees within the Group. The management responsible for strategic and operational decisions must be aware and apply the risk management process continuously. An efficient feedback mechanism should also be in place. Training in risk management should be given to all relevant employees to enhance greater understanding and facilitate informed decision making.

9. INTERNAL CONTROL SYSTEM

The internal control system complements the risk management process as internal control manages/ controls the identified risks. A sound internal control system is dependent on a comprehensive and regular evaluation of the nature and extent of risks faced by the Group.

In reviewing the adequacy and effectiveness of the Group's internal control system, the following (non-exhaustive) shall be taken into consideration:

- Review of key Group and business unit risk registers and reports on any significant issues that have occurred during the year and changes of risks over time.
- Regular review of internal audit plan.
- Regular internal audit review to highlight any control lapses.