NWP HOLDINGS BERHAD

(Company No. 495476-M)

ENTERPRISE RISK MANAGEMENT FRAMEWORK

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1. OVERVIEW

The establishment of enterprise risk management ("ERM") framework is to provide a comprehensive and proactive approach towards managing risk for NWP Holdings Berhad ("NWP") and its group of companies ("NWP Group"), as risks influences every aspect of our business.

Understanding the risk faced by NWP and managing them appropriately will enhance NWP ability to make better decisions. This will subsequently improve NWP Group's overall performance. It is also to ensure that risk objectives are properly defined and proper controls are in place. In addition, awareness of managing risks in general for NWP is crucial.

The scope of the ERM framework covers all activities, processes, functions projects, products, services, assets and systems currently in place at NWP Group.

2. OBJECTIVE

The primary objective of the ERM framework is to support the overall achievement of NWP's strategic objectives and safeguard NWP Group's resources, people, finance, property and reputation through:

- Provision of a structured and a more consistent approach to identifying, rating, mitigating, managing and monitoring risks;
- Assistance to decision makers to make good management decisions within a tolerable strategic and business risk limits, including identifying and on leveraging opportunities;
- An environment where staff understand and assume responsibility for managing the risks for which they are accountable for as well as to be aware of the controls in place to mitigate those risks;
- Provision of relevant and timely information across clear reporting structures;
- Independent assurance and audit activities to provide feedback to the management that quality processes and proper controls are in place and are effective; and
- Provide assurance to the Board of Directors that a sound risk management and internal control system are in place.

The Risk Management Team, headed by the Executive Director and comprising senior management team from all functions of the Group, where applicable, is entrusted to manage the ERM Framework. The team's responsibilities are to:

- Steer NWP's ERM Framework and promote a pro-active risk awareness culture in NWP Group;
- Conduct an annual review of all risks and coordinate the development of risk mitigation action plans;
- Organise training and education for employees on risk management;
- Monitor the results of key performance indicators; and
- Ensure good corporate governance.

The risk management policies are subject to periodical reviews to ensure that they remain relevant and effective in managing the associated risks due to changes in the marketplace and regulatory environments.

3. **Components of Enterprise Risk Framework**

3.1. **Risk Identification and Assessment**

- As part of the strategic planning process and day-to-day management of the business, all functional leaders identify internal and external risks that may affect the achievement of NWP's objectives.
- NWP utilise a range of approaches to determine potential risks, including:
  - Team based brainstorming with experienced and knowledgeable staff representatives;
  - Annual strategic planning and budget,
  - Examination and analysis of historical reports and incidents;
  - Regular compliance reviews (internally and externally);
  - Internal review by the Audit and Risk Management Committee ("ARMC"); and
  - Reviews by external service providers
- Each identified individual risk is assessed for the degree of impact on the business and the risk likelihood based on the following categories:

3.2. Risk Response

- For each of the risks identified, a response is determined by the functional leaders in consultation with the applicable risk management functions.
- Risk responses may include eliminating, reducing, transferring, sharing or accepting.

3.3. Control Activities

- Control activities are established to ensure that risk responses are carried out effectively and consistently throughout the organization. This involves formalizing risk response in our Company policies, ensuring clear accountability, utilizing self-assessment and monitoring tools and designing controls into our systems and critical business processes.
- Most risks will have multiple different controls in place, some intended to prevent a risk occurrence, some will detect an occurrence whilst others are designed to respond to an occurrence. Controls will not always be performed by the risk owner.
- Type of control activities:
  - Directive controls - are those designed to establish desired outcomes
  - Preventive controls – are those designed to discourage errors or irregularities from occurring. They are proactive controls that help to ensure departmental objectives are being met
  - Detective controls - are designed to find errors or irregularities after they have occurred
  - Corrective controls - are intended to limit the extent of any damage caused by an incident e.g. by recovering the organisation to normal working status as rapidly and efficiently as possible

3.4. Information and Communication

- Information and communication channels are in place to make the organization aware of risks that fall into their area of responsibility and expected behavior and actions to mitigate negative outcomes.
- Formal and informal training is conducted with applicable personnel. Information is provided to new hires and employees transferring to new functions on key processes applicable to their role. Knowledge is exchanged within regular meetings.
- Formal procedures are in place that require incidents of non-compliance, adverse events, control failures or critical unmitigated risks to be escalated to Executive Director, Board of Directors and the proper authorities in a timely manner.

3.5. Oversight and Monitoring

- Risk response and the effectiveness of control measures to manage risk need to be monitored on an ongoing basis to ensure changing circumstances, such as the political environment and NWP's strategic objectives do not alter the risk evaluation profiles and adequacy assessments.
- Testing, auditing and assessments are performed by independent, objective personnel to provide assurance that risk responses are consistently implemented, procedures are understood and followed, and appropriate controls are in place.
- Risk management functional leaders monitor the effectiveness of the risk mitigation activities as well as the overall program effectiveness through review of metrics and dashboards on a periodic basis. Additionally, these measures are reviewed with ARMC and the Board of Directors.