

GENETEC TECHNOLOGY BERHAD
(445537-W)

TERMS OF REFERENCE OF THE RISK MANAGEMENT COMMITTEE
(Effective From 19 August 2015)

1. Introduction

Risk is inherent in every business, and the increased complexity of today's business risk profile coupled with the introduction of new legislation has meant that the ability to effectively manage risk and release potential business benefits has become over more important.

Whilst the BOD still retain ultimate responsibility for risk management and for determining the appropriate level of risk appetite, a RMC has been established to provide assurance concerning the group's risk profile to the BOD.

2. Objective

The objective of the RMC is two fold:-

- To be at the forefront of the Group Wide Risk Management Program and ensure that a risk management structure is embedded throughout the group; and
- To ensure that the risk management structure is consistently adopted throughout the Group and is within the parameters established by the BOD.

3. Authority and Scope

The RMC has delegated authority from the BOD with a remit that encompasses all risk management activities within the group including compliance with the risk management strategy. The RMC should report to the BOD.

4. Composition

The BOD should approve the membership of the RMC and include a mixture of risk and business management knowledge and experience and include senior key management staffs for the roles of the Chairman and the key risk owners (ideally Heads of Department) respectively.

5. Responsibilities of the RMC

The RMC is responsible for :-

- a. Establishing Strategic Context

Ensuring the strategic context of the risk management strategy is complete and takes into account the environment within which the Group operates and the requirements of all stakeholders.

Ensuring that the risk management strategy is fully cognisant of:

- i. The relationship between the Group and its environment, identifying the Group's strengths, weaknesses, opportunities and threats.
- ii. The requirements for consistency in risk management processes operating within the different businesses.
- iii. The requirements of internal and external stakeholders and their risk perceptions.

The RMC role includes assisting the BOD to establish communication with the stakeholders.

b. Establishing Risk Management Processes

Determining the overall risk management processes that should be adopted by the individual business unit or department. It should also develop appropriate guidelines and policies for implementation of said processes.

i. Conducting Risk Identification

The RMC establishes and sponsors the process for the comprehensive identification of risk using a well-structure and systematic process operated on an organisation-wide basis and communicates the requirements to the business units or departments.

The individual business units or departments are responsible for completing the risk identification in compliance with the agreed process.

The risk identification process should be kept up to date.

ii. Conducting risk evaluation

The RMC determines the factors that should be taken into account to evaluate risk and the level of complexity that should be adopted by the businesses to complete the assessment.

iii. Determining risk treatments

The RMC establishes the most appropriate options that business units or departments can utilise to deal with the risks. The RMC retains responsibility for ensuring that the most appropriate strategies are adopted.

The RMC has responsibility for establishing a process for:

- Identifying treatment options and strategy
- Evaluating treatment options
- Selecting treatment options
- Preparing treatment options
- Implementing plans
- Monitoring implementation of plans
- Generating assurance to the Group that processes are operating as designed

c. Establishing a Risk Management Structure

Ensuring a short and long-term risk management strategy, framework and methodology have been implemented and consistently applied by all business units or departments.

Ensure that the following are implemented:

- i. A short and long term risk management strategy which is clearly communicated and understood throughout the Group;
- ii. A Group risk management framework; and
- iii. A Group risk management methodology to enable a consistent approach and application to be adopted when evaluating risk and consistent with the risk management processes.

d. Embedding Risk Management Capability

Ensuring risk management processes are integrated into all core business processes and that the culture of the organisation reflects the risk consciousness of the BOD.

Ensuring that risk awareness is embedded throughout the Group, which requires:-

- i. Risk management processes to be integrated into all core business processes;
- ii. An organisational structure to support the risk management strategy and ensure there is clear ownership and communication of risks;
- iii. The organisational policy and goals to help define the criteria by which to decide whether a risk is acceptable or not;
- iv. Clear escalation processes;
- v. Risk management to be included as part of the personal performance management system; and
- vi. Appropriate training in risk management at all levels.

e. Establishing Reporting Mechanisms

Providing a consolidated risk and assurance report to the BOD that supports its “Statement on Internal Control” in the Group’s annual report.

The RMC has the responsibility to provide a consistent and complete view of risk across the group, which requires:-

- i. A consolidated view of the risk profile of the Group and the identification of any major exposures including the remedial actions associated with those exposures; and
- ii. Assurance on the adherence to the risk management structure.

f. Integrating & Coordinating Assurance Activity

Ensuring alignment and coordination of assurance activity across the organisation.

Ensure that there is appropriate integration and coordination of assurance reporting through:-

- i. An integrated assurance plan for the Group;
- ii. Regular Review of assurance reporting across the key business risks; and
- iii. Tracking the implementation of agreed actions.

g. Establishing Business Benefits

Identifying opportunities to release potential business benefits through the enhancement of risk management capabilities within the Group.

The RMC has responsibility for identification and monitoring the implementation of potential business benefits through the enhancement of risk management capabilities.

This is linked to the organisational policy and the need for the appropriate skill sets to be acquired and retained.

h. Establishing Effectiveness of the Risk Management Process

Simplifying and improving the effectiveness of existing risk management structures.

Ensure there is regular review of the risk management structure to identify:

- Simplified and consistent operating procedures
- Duplication of activity
- Inefficient / out-dated practices

i. **Managing the Group Wide Risk Management Program (“the Program”)**

Supporting the implementation of the risk management processes within the business. The RMC will act as steering committee for the program.

The RMC will ensure that the program objectives are met. These objectives being:

- Implement best practice risk management processes that improve the effectiveness of the Group; and
- Meet corporate governance requirements

The RMC will be responsible for ensuring that an appropriate structure is retained to enable on-going compliance with the risk management structure once the program has been completed.

6. Frequency

The RMC will meet once yearly.