



## **SALIRAN GROUP BERHAD**

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# **ENTERPRISE RISK MANAGEMENT POLICY**

## **SALIRAN GROUP BERHAD**

**Updated May 2024** <sup>1</sup>

## 1. Introduction

Saliran Group Berhad (“Saliran” or the “Group”) recognises risk management as an important component of good corporate governance practice and fundamental in achieving our strategic, operational, compliance and reporting objectives.

Effective risk management improves decision-making, defines opportunities and mitigates material risk events that may impact shareholders’ value.

## 2. Purpose

This document forms part of Saliran’s risk governance framework. It details Saliran’s risk management objectives and risk governance structure and explains Saliran’s underlying approach to risk management.

It also outlines the key aspect of Saliran’s risk management and reporting processes and the established criteria for assessing risk and control effectiveness approved by the Board of Directors.

## 3. Policy Commitment

The Board of Directors has approved the setting out of this Enterprise Risk Management (“ERM”) Policy (hereby known as the “Policy”). This Policy establishes the proper risk management framework for identifying, assessing, managing and continuously monitoring risks that may prevent the organisation from achieving its business objectives.

The Policy is driven by Executive Management, implemented by Risk Owners with oversight and review provided by the Board of Directors.

## 4. Definitions

- Risk Management - Risk Management is a structured and coordinated process, effected by an entity’s Board of Directors, management and other personnel applied across the entity. It is a systematic approach designed to identify potential risks that may affect the organisation, and manage those risks within the risk appetite and tolerances of the Board of Directors to provide reasonable assurance regarding the achievement of the organisation’s business objectives.
- Risk - Risk is defined as the “likelihood” of an event occurring and the subsequent “impact” on the organisation’s ability to achieve or exceed its business objectives if the risk event occurs.
- Internal Control - Internal Control is an oversight function built into a business process to ensure that the business process functions efficiently and effectively to manage the risk of the organization.

## 5. Risk Management Objectives

Saliran is committed to establishing and maintaining a systematic approach to the identification and management of risk.

Saliran's risk management objectives are to maximise its ability to:

- (a) Achieve business objectives;
- (b) Identify and treat risk throughout the organisation;
- (c) Manage risk in accordance with best practice;
- (d) Improve organisational resilience by anticipating and responding to changing social, environmental and legislative requirements;
- (e) Improve financial reporting;
- (f) Improve corporate governance;
- (g) Improve internal controls;
- (h) Improve stakeholder confidence and trust;
- (i) Establish a reliable basis for decision making and planning;
- (j) Effectively allocate and use resources for risk treatment;
- (k) Improve operational effectiveness and efficiency;
- (l) Improve loss prevention and incident management;
- (m) Minimise losses; and
- (n) Improve organisational learning by creating awareness of the need for risk management across the organisation.

## 6. Approach to Risk Management

The following key principles outline Saliran's approach to risk management:

- (a) link the identification and management of risk to the achievement of business objectives;
- (b) systematically identify and proactively manage risks;
- (c) assign responsibilities for managing risks to risk owners and entrust them in making risk management decisions;
- (d) have in place effective systems of internal controls to continuously monitor and manage identified risks;
- (e) have in place a reporting system to effectively report risks and key mitigation strategies to the Audit Committee.

## 7. Risk Management Process

The following summarises Saliran's risk management processes established:

- (a) Risk Identification - Identify the key processes carried out by each division/ department, the objectives and associated risks of these activities.
- (b) Assessment of Impact - Determine impact (or consequence) of the risks to Saliran. Risk impact is an estimate of the severity of adverse financial effects or magnitude of a financial loss.

## 7. Risk Management Process (Contd.)

- (c) Estimation of likelihood - Determine the likelihood (or probability) the risks will occur. Likelihood is measured based on experience, knowledge, past events and actuarial information.
- (d) Controls Identification - Identify existing general controls / mitigating factors in place (e.g. policy and procedures, insurance, etc.).
- (e) Risk Assessment - Determine risk exposure level based on the Risk Parameter matrix. (Please refer to **Appendix A – Risk Parameter Matrix**).

## 8. Roles and Responsibility

Group/ Individual	Roles and Responsibilities
Board of Directors	Provides direction and oversight of risk management across Saliran. Key risk management responsibilities include: <ul style="list-style-type: none"> <li>▪ Approving Saliran’s risk management documentation including the risk profile, risk management policies and risk management procedures and framework.</li> <li>▪ Ensuring Saliran’s risk management policies and procedures implemented is operating effectively.</li> <li>▪ Monitoring the management of risks which are deemed “high” and effectiveness of associated controls through the review and discussion of periodic risk management reports.</li> <li>▪ Satisfying that risks with lower ratings are effectively managed, with appropriate controls in place and effective reporting structures.</li> <li>▪ Approving major decisions affecting Saliran’s risk profile or exposure.</li> </ul>
Audit Committee	Report to the Board of Directors advising on its activities and recommendations including risk management policies, procedures and framework. Provides independent assurance on the associated control environment, independent scrutiny of the Saliran’s financial and non-financial performance, and oversee the financial reporting process.
Executive Management	Responsible for the oversight of the risk management framework, including: <ul style="list-style-type: none"> <li>▪ Consideration and review of risk management policies, procedures and framework on an annual basis.</li> <li>▪ Establish policies and reviewing the effectiveness of Saliran’s approach to risk management including the status of high and significant risks.</li> <li>▪ Aid/ advice in the review of risk management issues.</li> <li>▪ Promote risk management processes and its benefits.</li> </ul>
Internal Auditor	Assist Saliran to accomplish its objectives by adopting a systematic and disciplined approach to evaluate and continuously improve the effectiveness of risk management, control and governance processes of Saliran. Reports functionally to the Audit Committee and administratively to the Board of Directors.

## 8. Roles and Responsibility (Contd.)

Group/ Individual	Roles and Responsibilities
Risk Owner	<p>Person with accountability and authority to manage a risk. They are very close to their operations and in the best position to identify and assess risks (typically line managers/ functional specialists). Risk Owners are responsible for the following:</p> <ul style="list-style-type: none"> <li>▪ Manage the risk that they are accountable for.</li> <li>▪ Design, implement and/ or monitor risk treatments.</li> <li>▪ Review the risk and assessment of controls on a regular basis within their function/ area.</li> <li>▪ Escalate the risk to Executive Management team where the risk is increasing in likelihood or impact.</li> <li>▪ Periodic review of process maps and system notes.</li> <li>▪ Ensure appropriate documentation and updates of processes, risk and controls (i.e. Risk Register, etc.).</li> <li>▪ Take steps to improve controls pertaining to concerns noted during periodic audits.</li> </ul>

## 9. Bi-Annual Review on Effectiveness

The Group Risk Management Policy and Framework is subject to periodic reviews to ensure that the policy and objectives of the programme remain applicable and effective under changing market and regulatory environment.

Ongoing risk monitoring & reporting is conducted to review the effectiveness of risk mitigation measures put in place for all identified business risks and corrective actions taken where necessary. All Risk Register are to be completed and updated on a bi-annual basis.

## Appendix A – Risk Parameter Matrix

### Risk Parameters

In order to assess both the Likelihood and Impact Measures, Risk Parameters are required to be set by Management. Risk will be assessed and rated based on these Risk Parameters.

### *Impact Measures:*

Impact Score	Description	Financial Loss	Operational	Regulatory and Legal Non-Compliance	Financial Reporting	Reputational Damage	Human Resources and Well-Being
1	Insignificant	<ul style="list-style-type: none"> <li>&lt;0.5% of revenue</li> <li>Insignificant impact on capital</li> </ul>	<ul style="list-style-type: none"> <li>No noticeable impact on daily operations</li> </ul>	<ul style="list-style-type: none"> <li>No regulatory breach</li> <li>Minor legal issue</li> </ul>	<ul style="list-style-type: none"> <li>Minor processing errors that impact financial statements</li> </ul>	<ul style="list-style-type: none"> <li>No reputational damage</li> </ul>	<ul style="list-style-type: none"> <li>Minor or no impact to employees turnover/ morale</li> <li>Minor injury not requiring medical treatment</li> </ul>
2	Minor	<ul style="list-style-type: none"> <li>0.5% -1% of revenue</li> <li>Minor impact on capital</li> </ul>	<ul style="list-style-type: none"> <li>Minor interruption of operations and service levels</li> <li>Limited to a single division</li> <li>Disruption &lt;1 day</li> </ul>	<ul style="list-style-type: none"> <li>Minor delays in meeting regulatory/ legal requirements</li> <li>Minor regulatory/ legislative breach</li> </ul>	<ul style="list-style-type: none"> <li>Moderate processing errors that impact financial statements</li> </ul>	<ul style="list-style-type: none"> <li>Minor localised or unfavourable publicity in industry related publication</li> </ul>	<ul style="list-style-type: none"> <li>Low level of dissatisfaction</li> <li>Minor injuries requiring minimal medical treatment</li> </ul>
3	Moderate	<ul style="list-style-type: none"> <li>1% - 5% of revenue</li> <li>Moderate impact on capital</li> </ul>	<ul style="list-style-type: none"> <li>Substantial interruption of operations and services</li> <li>Impacts multiple division of businesses</li> <li>Disruption &gt;1 day but less than 3 days</li> </ul>	<ul style="list-style-type: none"> <li>Moderate regulatory breach</li> <li>Threat of legal action actions organisation but able to be resolved through negotiation/ remedial action</li> </ul>	<ul style="list-style-type: none"> <li>Individual or cumulative misstatement in financial reporting greater than 5% of reported amount (for e.g. asset/ liability/ expenses etc.)</li> </ul>	<ul style="list-style-type: none"> <li>Some adverse coverage in industry press, impacting customer's perception leading to reduction in services and new businesses</li> </ul>	<ul style="list-style-type: none"> <li>Localised low morale and low employees turnover</li> <li>Serious injuries requiring moderate medical treatment</li> </ul>

**Impact Measures (Contd.):**

Impact Score	Description	Financial Loss	Operational	Regulatory and Legal Non-Compliance	Financial Reporting	Reputational Damage	Human Resources and Well-Being
4	Major	<ul style="list-style-type: none"> <li>5% - 20% of revenue</li> <li>Material impact on capital</li> </ul>	<ul style="list-style-type: none"> <li>Severe interruption of operations and services</li> <li>Delays and inefficiencies in core processes, impacting significantly on quality and timeliness of deliveries of goods and services</li> <li>Disruption 3 – 5 days</li> </ul>	<ul style="list-style-type: none"> <li>Significant regulatory breach, leading to actions by regulators</li> <li>Legal, contractual or regulatory liabilities, major litigations</li> </ul>	<ul style="list-style-type: none"> <li>Major misstatement in financial reporting or fraud</li> </ul>	<ul style="list-style-type: none"> <li>Wide adverse coverage across industry resulting in Executive Management's response to address public concerns</li> </ul>	<ul style="list-style-type: none"> <li>Significant spread of low morale, increasing employee turnover</li> <li>Single death of employee, contractor or general public as a result of negligence</li> </ul>
5	Catastrophic	<ul style="list-style-type: none"> <li>&gt;20% of revenue</li> <li>Catastrophic impact on capital</li> </ul>	<ul style="list-style-type: none"> <li>Disruption more than 5 days</li> <li>Potential cease of operations</li> <li>Requires external regulatory intervention</li> </ul>	<ul style="list-style-type: none"> <li>Extensive regulatory and legislative breach</li> <li>Numerous major litigations</li> <li>Loss/ suspension of Listing Status/ license</li> </ul>	<ul style="list-style-type: none"> <li>Extensive misstatement or fraud in financial reporting leading to external regulatory intervention</li> </ul>	<ul style="list-style-type: none"> <li>Loss of reputation</li> <li>Credit/ rating downgrade</li> </ul>	<ul style="list-style-type: none"> <li>Group wide low morale, high turnover</li> <li>Multiple deaths of employee, contractor or general public, closure of premises/ work site</li> </ul>



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### Appendix A – Risk Parameter Matrix (Contd.)

#### **Likelihood Measures:**

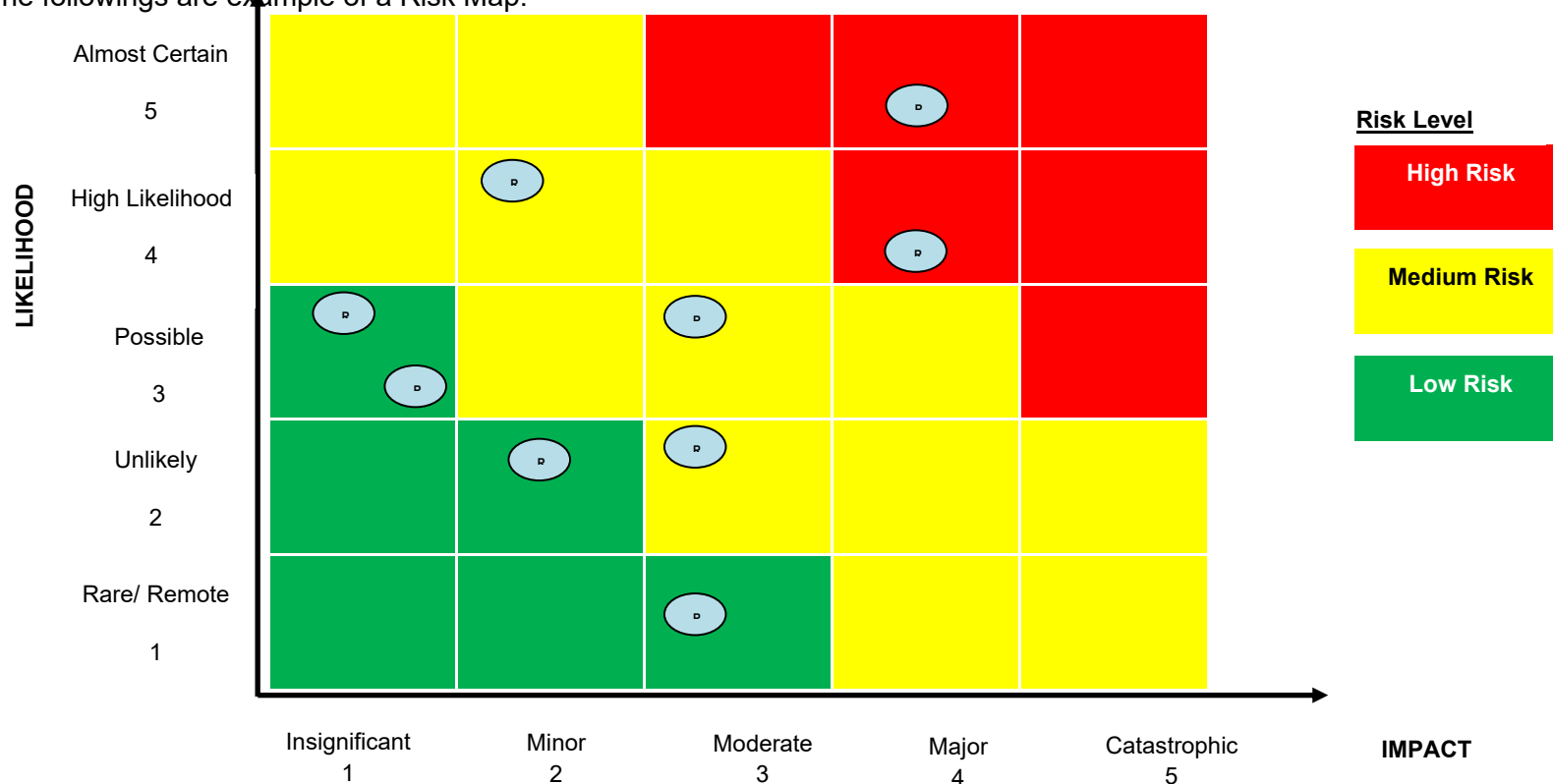
Likelihood Score	Description	Possibility of Occurrence
1	Rare/ remote	Event may occur only in exceptional circumstances. Probability of approximately 0 – 5%.
2	Unlikely	Event not likely to occur in the next 12 months, but there is a slight possibility of occurrence 5 – 30%.
3	Possible	Event should occur at some point in a year. Probability of occurrence 30 – 70%.
4	High Likelihood	Event will probably occur in most circumstances, at least few times in a year. Probability of occurrence 70 – 95%.
5	Almost Certain	Event is expected to occur in most circumstances, probably multiple times in a year. Probability of occurrence 95 – 100%.

**Appendix A – Risk Parameter Matrix (Contd.)**

**Risk Map**

The Likelihood and Impact Measures assessed by Management based on the Risk Parameters can be presented diagrammatically in the form of “Risk Map” shown below, whereby all key Risks identified, assessed and rated will be plotted within the Risk Map.

Generally, the Risk Map is divided into 3 quadrants whereby different action plans are required depending on which quadrant the key risk falls under. The followings are example of a Risk Map:





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### Appendix A – Risk Parameter Matrix (Contd.)

#### Risk Level and Recommended Actions

Risk Level	Recommended Actions
Low Risk	No additional risk control measures may be needed. However, frequent review and monitoring are required to ensure that the risk level assigned is accurate and does not increase over time.
Medium Risk	A careful evaluation of source should be carried out to ensure that risk level is reduced to as low as practicably possible within a defined time period. Interim risk control measure, such as conducting checks and documentation review may be implemented while longer term measures are being established. <b><u>Management attention is required</u></b> .
High Risk	High risk level must be reduced to at least Medium Risk before work commences. There should not be any interim risk control measure and risk control measure should not overly dependent on conducting checks and documentation review. If practicable, the source should be eliminated before a process is activated. <b><u>Immediate management intervention</u></b> is required before activating a process.