



# **CARLO RINO GROUP BERHAD**

(formerly known as CRG Incorporated Berhad)

Registration No. 200901037127 (880257-A)

(Incorporated in Malaysia under the Companies Act 1965 and  
deemed registered under the Companies Act 2016)

## **RISK MANAGEMENT AND INTERNAL CONTROL POLICY**

**Version: V1**

(Approved by the Board of Directors of the Company on 01 July 2023)

(Effective date: Upon listing on ACE Market of Bursa Malaysia Securities Berhad)

**A. OBJECTIVE AND SCOPE**

1. Carlo Rino Group Berhad (formerly known as CRG Incorporated Berhad) (“CRG” or “Company”, and references to “CRG Group” or “Group” are to CRG and our subsidiaries) recognises that all areas of the activities undertaken by us carry an element of risk, and the effective management of risk is vital to deliver our strategic objectives, continued growth and success.
2. We are committed to managing risks in a proactive and effective manner as a source of competitive advantage. In managing risk, it is our practice to take advantage of potential opportunities while managing potential adverse effects.
3. Our internal control ensures that the Group’s business objectives can be achieved. Through efficient control, deviations from objectives can be prevented or detected as early as possible, so that corrective measures can be taken.
4. Our planning of the control measures begins with the definition of business objectives and the identification and assessment of the risks that threaten the objectives. Control measures are targeted based on risks, and control measures are selected as appropriate so as to keep the risks under control.
5. Managing risk, and implementing efficient and effective internal control throughout the Group are the responsibilities of everyone in the Group.
6. The objective of this Policy is to provide a single consolidated view of risks across the Group to understand our full risk exposure and prioritise risk management and governance; and to guide the Group in building and maintaining a sound system of internal control in order to safeguard our assets against loss, promote operational efficiency, and encourage adherence to applicable laws and regulations as well as the Group’s policies and ethical values including sustainability.
7. This Policy applies to CRG Group. It may be supplemented by additional policies and procedures when deemed necessary, but such additional policies and procedures may not fall below the standards articulated in this Policy.

**B. RESPONSIBILITIES AND ACCOUNTABILITIES**

1. CRG Group’s risk governance structure, illustrates the roles and responsibilities of risk management practices across the Group is depicted below:



**Board of Directors**

The Board sets business objectives for the Group, establishes risk profiles, determines and adjusts risk appetite and tolerance levels, ensures appropriate policies and procedures are in place to manage those significant risks within the Group, performs regular checks on the health of the Group’s risk management, internal control and governance systems, and seeks continuous improvement to close gaps and/or mitigate deficiencies

**Audit & Risk Management Committee (ACom)**

The ACom is composed of Independent Directors of CRG. It conducts second-tier risk management assessments, review internal control processes and evaluate the adequacy and integrity of the risk management, internal control and governance systems of the Group independently on a regular basis, and reports to the Board of CRG for further evaluations and actions

**Internal Auditors**

The Internal Auditors is an independent function that reports directly to the ACom, and thereafter to the Board. It performs internal audit on various activities within the Group based on the Internal Audit Plan approved by the ACom by adopting risk-based methodology, recommends the best practices to enhance the quality of the risk management, internal control and governance systems of the Group, and provide reasonable assurance to the ACom on the efficiency and effectiveness of such systems

**Management Level-Risk Management Working Committee (RMC)**

RMC comprises Executive Directors of CRG with the other members who should have in-depth knowledge of the operation and/or financial aspects of risk management and internal control being selected from the Management Team to resolve the major day-to-day risk management and internal control issues duly reported by the Business Units and Support Functions. RMC also undertakes the first-tier review on the efficiency and effectiveness of the Group’s risk management and internal control processes on a regular basis with issues that require the attention of the Board be communicated to the ACom for further deliberations

**Business Units and Support Functions**

Business Units and Support Functions are tasked to implement the policies and procedures on risk management and internal control sanctioned by the Board. Major day-to-day risk management and internal control issues shall be communicated to the RMC for evaluations and actions

**C. RISK MANAGEMENT AND INTERNAL CONTROL**

1. Risk management and internal control have to be embedded in our business processes to ensure that there are being practiced and made part of the culture of our Group. The embedding should cover all areas of management from strategic to operational level.
2. CRG defines risk as external or internal uncertainty that may affect the Group in the execution of our strategy, achievement of our goals or continuity of our businesses. Risks may be caused by events within the Group, or by external conditions or events. CRG’s risk profile are broadly categorised into 4 categories: strategic risks, operational risks, hazard risks and financial risks.



3. Our risk management and internal control approach shall be consistent with the recommendations made by the –
  - Enterprise Risk Management: Integrating with Strategy and Performance (2017), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO); and
  - Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers,
 that involve the identification, assessment and management of risks, as well as the formalisation and implementation of effective and efficient control processes to provide reasonable assurance regarding the achievement of the Group’s objectives and to enhance our performance at all levels of our activities.

**COSO Enterprise Risk Management**



4. We are guided by the following risk management and control processes in identifying, assessing, responding, controlling, communicating and monitoring of risks on an ongoing basis:



Events Identification

All existing and potential events affecting the achievement of the Group’s objectives must be identified, distinguishing between risks and opportunities. Opportunities are channeled back to management’s strategy or objective-setting processes

Risks Assessment

Identified risks are analysed to form a basis for determining how they should be managed, and are assessed on an inherent and a residual basis using qualitative techniques followed by more quantitative analysis of the most important risks through risk matrix analysis

| Impact          | Risk Management Actions                      |                                  |                               |
|-----------------|--|----------------------------------|-------------------------------|
|                 | <i>Significant</i>                           | Considerable management required | Must manage and monitor risks |
| <i>Moderate</i> | Risks may be worth accepting with monitoring | Management effort worthwhile     | Management effort required    |
| <i>Minor</i>    | Accept risks                                 | Accept, but monitor risks        | Manage and monitor risks      |
|                 | <i>Low</i>                                   | <i>Medium</i>                    | <i>High</i>                   |
|                 | <b>Likelihood</b>                            |                                  |                               |

Risks Response

The risk management strategy to response to risks can be: avoiding, accepting, reducing, sharing, transferring, monitoring and/or controlling the risks, and involves developing a set of actions to align risks with the Group’s risk tolerances and risk appetite

Control Activities

Control activities through policies and procedures that contribute to the mitigation of risks to the achievement of objectives to acceptable levels, shall be developed and deployed on a timely and appropriate manner

Information & Communication

Relevant information shall be communicated in a form and timeframe that enables all people within the Group to carry out their responsibilities. Effective communication also occurs in a broader sense, flowing down, across and up the Group so to ensure personnel receive clear communications regarding their roles and responsibilities in risk management and internal control processes

Monitoring

The risk management and internal control processes shall be closely monitored, and modifications be made as necessary. Monitoring is accomplished through ongoing management activities, separate evaluations, or both

5. We strive to design and implement an effective internal control system that is to be in lined with COSO’s Internal Control – Integrated Framework (2013) to help the Group in achieving our objectives and sustain and improve our performance. This system shall be adaptable to changing business and operating environments, enable risks to be managed to acceptable levels, and support sound decision-making and governance of our Group.
6. We refer to the following 5 elements of a comprehensive internal control framework as developed by COSO to be essential in building our internal control system:

|                                       |   |
|---------------------------------------|---|
| <b>Control Environment</b>            | <ol style="list-style-type: none"> <li>1. Demonstrates commitment to integrity and ethical values</li> <li>2. Exercises oversight responsibility</li> <li>3. Establishes structure, authority and responsibility</li> <li>4. Demonstrates commitment to competence</li> <li>5. Enforces accountability</li> </ol> |
| <b>Risk Assessment</b>                | <ol style="list-style-type: none"> <li>6. Specifies suitable objectives</li> <li>7. Identifies and analyzes risk</li> <li>8. Assesses fraud risk</li> <li>9. Identifies and analyzes significant change</li> </ol>  |
| <b>Control Activities</b>             | <ol style="list-style-type: none"> <li>10. Selects and develops control activities</li> <li>11. Selects and develops general controls over technology</li> <li>12. Deploys through policies and procedures</li> </ol>   |
| <b>Information and Communications</b> | <ol style="list-style-type: none"> <li>13. Uses relevant information</li> <li>14. Communicates internally</li> <li>15. Communicates externally</li> </ol>   |
| <b>Monitoring Activities</b>          | <ol style="list-style-type: none"> <li>16. Conducts ongoing and/or separate evaluations</li> <li>17. Evaluates and communicates deficiencies</li> </ol>   |

7. We implement our internal control system in the following manner:

Understanding and learning

Working group commences by reading and comprehending our risk management and internal control policy

Develop action plan

A road map and project plan be developed to address the scope of implementation, organizational structure, stakeholders, and timelines

Assess

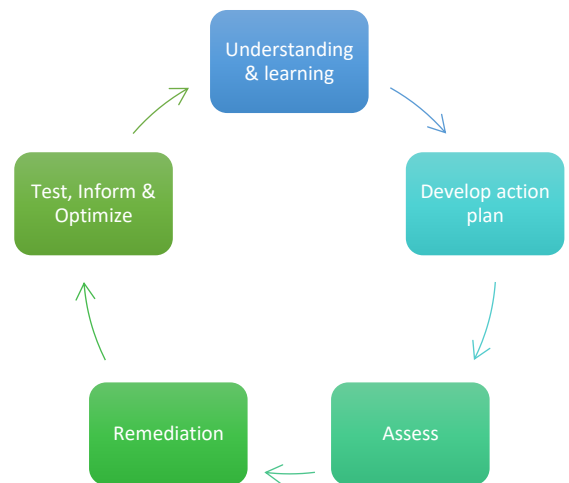
Internal assessments be conducted to investigate the current system of internal control, and identify the gaps

Remediation

Remediation solutions and internal controls be developed to address the weaknesses identified during the assessments

Test, Inform, and Optimize

Ongoing verifications be performed to assure the controls are working as planned. Stakeholders be informed about the test results and have the opportunity to provide feedback. If particular controls are deemed ineffective, corrective measures or replacement activities be implemented. This process provides early warning signals to alert the Group to changes in the operating environment



8. CRG Group's internal control activities include:

**Preventive Internal Control Activities**

Segregation of Duties

This involves division of responsibilities among multiple employees to minimise the risk of errors or inappropriate actions, and to reduce the potential to commit fraud

Authorisation and Approvals

All significant transactions be authorised and approved by a suitable person(s) (ie. the approver has the authority to do so and the skills and knowledge to make informed decisions on behalf of the Group) to assure that transactions are appropriate and aligned with organizational goals

Verification, Reconciliation, Reviews, and Documentation

Specific people be designated to review and verify critical transactions and financial figures to confirm accuracy

Security: Access to information and assets

This is to limit the access of information and assets considered business-critical for the Group by appropriate person(s) to mitigate the risks of misuse or misplace

**Detective Internal Control Activities**

Reconciliation

Reconciliations will be performed to cross-check transactions and to confirm that the information reported is accurate and up-to-date

Performance Reviews

We undertake regular organisational performance reviews to assess our performance based on specific parameters

Internal Audits

Together with our internal auditors, we test the effectiveness of our internal controls, and where applicable, strengthen these controls by taking into consideration the suggestions of the internal auditors

**D. RISK MANAGEMENT AND INTERNAL CONTROL REPORTING**

1. In accordance with the applicable Listing Requirements of Bursa Malaysia Securities Berhad on the disclosure of listed issuers' management of risk management and internal control in Annual Reports, CRG will review (when deemed necessary), disclose and report on our risk management and internal control activities, and where applicable, the exploration of areas where we need to step up our efforts, annually.

**E. MONITORING AND EVALUATION**

1. The Board will review and monitor the implementation of this Policy to ensure its applicability and effectiveness, from time to time.

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