

ECOSCIENCE INTERNATIONAL BERHAD

(Registration No.: 202001024633 (1380953-M))

(Incorporated in Malaysia)

RISK MANAGEMENT FRAMEWORK FOR OPERATIONAL DEPARTMENT POLICY

1. Purpose

- a. This Policy is established to access the operational risks that will potentially bring threat to the company business.

2. Scope

- a. It covers all processes/operations risk which directly affect product or work quality.

3. Responsibility

- a. HOD of Workshop

4. Risk matrix

| | Description | Extent and category of risk |
|----|-------------|---|
| 1. | Low | <ul style="list-style-type: none">Adverse impact of less than 10% 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. |
| 2. | Medium | <ul style="list-style-type: none">Adverse impact of more than 10% but less than 30% 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. |
| 3. | High | <ul style="list-style-type: none">Adverse impact of more than 30% 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. |

Risk rating matrix

Likelihood

Likely
Moderate
Unlikely

↑
Likelihood
↓

| | | |
|---|---|---|
| M | H | H |
| L | M | H |
| L | L | M |

← Impact →

Insignificant

Moderate

Catastrophic

L - Low

M - Medium

H - High

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5. Risk management framework

| No | Risk identification | Risk measurement and assessment | | | Risk mitigation | Risk reporting and monitoring | Risk governance |
|----|--|---------------------------------|--------|----------|---|--|-----------------|
| | | Likelihood | Impact | Severity | | | |
| 1 | High dependency on foreign workers (increase in minimum wages) | Medium | Low | Low | To reduce the dependency on foreign workers by implementation of specify job on individual worker to increase the efficiency and productivity of the workers. To hire and train more local workers. | To monitor the hiring of foreign workers and report annually the change in number to management | Risk reduction |
| 2 | Breakdown in the movement of supplied raw materials | Low | High | Medium | Overview of vendor approved list is available, in case the primary supplied breakdown, alternate supplier can be engaged immediately. Consistent engaging similar supplier to have a good working relationship. | Non-conformance management (NCM) report will be issued to supplier in case of violation. Total number of violations will be reported to management in the yearly basis | Risk reduction |

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|----|--|---------------------------------|--------|----------|---|---|-----------------|
| | | Likelihood | Impact | Severity | | | |
| 3 | Breakdown in the movement of supplied services | Low | High | Medium | Overview of vendor approved list is available, in case the primary supplied breakdown, alternate service provider can be engaged immediately. Consistent engaging similar service provider to have a good working relationship. | Non-conformance management (NCM) report will be issued to supplier in case of violation. Total number of violations will be reported to management in the monthly basis | Risk reduction |
| 4 | Loss of business continuity due to natural disaster (e.g. flood, fire etc) | Low | Medium | Low | A response team led by the head of operation is formed to devise a plan to manage the disruption in case happened. E.g. In the case of flood happen in the area, company can arrange the pick-up of key personnel to the workplace to ensure critical production can be managed | In the case of the event, the head of operation to inform management immediately, and the sequence and number of events will be reported to management annually | Risk acceptance |

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|----|--|---------------------------------|--------|----------|---|---|-----------------|
| | | Likelihood | Impact | Severity | | | |
| 5 | Increased product cost | Low | Medium | Medium | To make sufficient stock in hand to overcome the fluctuation of product cost. Competitive bidding is in placed to ensure the cost are effectively reduce. | In the case of product cost is increased by 10%, the purchaser will report to management immediately before taking any further action | Risk reduction |
| 6 | Quality of product - off specification | Low | Medium | Low | Standard operating procedure for workshop is available. A quality control management is in placed and well-practiced. | The number of off specification or rejected products will be reported to management in monthly basis in case of any. | Risk avoidance |
| 7 | Machinery and equipment breakdown | Medium | Medium | Medium | Timely preventive maintenance is in placed to ensure the reliability of the machinery and equipment. Additional machinery and equipment are available in case of breakdown. | The number of machinery and equipment breakdown will be reported to management in yearly basis | Risk reduction |

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|----|---|---------------------------------|--------|----------|---|--|---------------------------------|
| | | Likelihood | Impact | Severity | | | |
| 8 | Over production demand increase the overtime cost | High | Low | Medium | A proper headcount planning on the scope and demand of work. A proper work management planning to avoid overtime. | The overtime cost is summarised and report to management in monthly basis | Risk acceptance |
| 9 | Labour issue (labour shortage, labour productivity, labour quality) | Medium | Low | Low | To engage a few reliable and good quality and performance subcon to share the availability of labour in different fields. To do the mock up test before engage the new contractor who supply labour or services. To train permanent worker to increase the productivity and skills set. | Any labour quality issue will be reported to management in a quarterly basis | Risk reduction and risk sharing |

This Risk Management Framework for Operational Department Policy is adopted on 1st July 2020.