

## ECOSCIENCE INTERNATIONAL BERHAD

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

(Incorporated in Malaysia)

### RISK MANAGEMENT FRAMEWORK FOR FINANCE DEPARTMENT POLICY

#### 1. Purpose

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

#### 2. Scope

- a. It covers all financing processes related risks which directly affect financial performance of the Company.

#### 3. Responsibility

- a. Head of Finance (HOF)

#### 4. Risk matrix

	Description	Extent and category of risk
1.	Low	<ul style="list-style-type: none"><li>Adverse impact of less than 10% of Group profit before tax, Group net revenue, net assets or shareholders' funds, whichever is the lowest.</li><li>Consequences can be absorbed under normal operating conditions.</li><li>No material impact on market share and/or reputation of company.</li></ul>
2.	Medium	<ul style="list-style-type: none"><li>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.</li><li>Potential impact on market share or reputation of company.</li></ul>
3.	High	<ul style="list-style-type: none"><li>Adverse impact of more than 30% of group profit before tax, Group net revenue, net assets or shareholders' funds, whichever is the lowest.</li><li>Market share, reputation or value of company will be affected in the short-term.</li></ul>

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	Poor financial economic performance	Medium	Medium	Medium	To review quarterly projected and budgeted plan against actual to identify and address significant variances from the impact of economy. Risk can be shared to Oversea market in the case of low order book in local market due to Malaysia economy performance.	Company performance forecast vs actual to be presented to management on quarterly basis	Risk reduction and acceptance
2	Credit risk	Medium	Medium	Medium	To access counterparties financial standings and monitor the limits and credit terms. To follow up payment closely with clients, make phone call, send gently reminder on the payment date, and frequent visit to the clients.	To highlight late payment to management at monthly basis To issue the demand letter based on the credit control SOP.	Risk reduction and acceptance
3	Currency risk	Medium	Medium	Medium	Risk is partly hedged through the fixed currency rate with bank, and remaining risk is monitored closely to ensure acceptable risk level undertaken	Currency risk identified to be reported to management on quarterly basis	Risk reduction and acceptance

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4	Liquidity risk	Medium	Medium	Medium	To practice prudent liquidity risk management to minimise the mismatch of financial asset and liabilities whilst ensuring sufficient and positive cash flow and availability of funding through standby credit facilities	Liquidity risk identified to be reported to management on quarterly basis	Risk reduction
5	Interest rate risk	Low	Medium	Low	To reduce dependency on bank loan Proper financial planning to ensure positive cash flow	Interest rate risk identified to be reported to management on yearly basis	Risk reduction and acceptance

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