

IOI PROPERTIES GROUP BERHAD
(COMPANY NO. 1035807-A)

RISK MANAGEMENT CHARTER

1. INTRODUCTION

The Risk Management Charter is a formal document that defines the purpose, authority and responsibilities of overall risk management activities. The Risk Management Charter establishes the position of wide-ranging risk management activities, initiatives and processes within the organization, including the role of the Head of Group Risk Management (“GRM”) functional reporting relationship with the Board and Risk Management Committee (“RMC”) by having full authorized access to records, personnel, and physical properties relevant to the performance of engagements and defines the scope of risk management initiatives. Final approval of the Risk Management Charter resides with the Board of Directors (“Board”).

2. POLICY

It is the Group’s policy to support the overall implementation of risk management as an independent internal control mechanism by fostering a systematic and disciplined approach to evaluate and improve the effectiveness of the Group’s risk management processes, control assurance and corporate governance practices.

3. PURPOSE

The purpose of this charter is to establish the position of the Risk Management function within the structure of IOI Properties Group Berhad (“IOIPG”) and its subsidiaries (collectively the “Group”) which enables the authorization of the Group Risk Management Department (“RMD”) in accessing all records, personnel and physical properties relevant to the performance of the risks.

It assists the Group in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the Group’s risk management processes, control assurance and corporate governance practices.

The GRM or RMD is established by the Board, and its responsibilities are defined by the RMC as part of their oversight function.

The IOIPG’s Board of directors has the ultimate responsibility for the oversight of the overall enterprise risk management practices within the Group and provide assurance that the risk management framework is sufficiently robust and sound.

4. OBJECTIVES

The RMC is established by the Board to align with strategic management objectives as it embarks on a risk management initiative. The primary responsibility of the RMC is to oversee and approve a wide range Group risk management practices and assist the Board in:

- i. Overseeing that the management team has identified and assessed all the risks that the organization faces and had established a risk management infrastructure capable of addressing those risks;
- ii. Overseeing, in conjunction with other Board-level committee or the Main Board, if strategic, operational, financial, credit, capital, market, liquidity, security, property, technological, legal, regulatory, reputational, compliance, environmental, sovereign, political, internal or external, and other risks are in fact applicable;
- iii. Overseeing the risk-related responsibilities to each Board committee are clearly defined in performing a gap analysis in order to determine that the oversight of any risks is not overlooked;
- iv. Make Recommendations and approving the Group's enterprise wide risk management framework;
- v. Providing the RMC the authority to conduct investigations into any matters within its scope of responsibility and obtain advice and assistance from external legal expertise or other advisory parties, as necessary, to perform its duties and responsibilities;
- vi. Carrying out its duties and responsibilities, the Board will empower authorisation to the RMC to meet and seek any information it requires from any employees, officers, managers, general managers, directors, or external parties. In addition, the RMC will identify and ensure that there are no overlapping of accountabilities and roles between other Board Committees as well as potential gaps in overseeing the Group's risks.

5. STANDARDS FOR THE RISK MANAGEMENT PRACTICES

Currently In Malaysia, there are no specific law to clearly define the compulsory need for a rigorous corporate or enterprise risk management program to be implemented in the business environment. However , a Risk Management Charter are developed to adopt the best practices in risk management and in compliance with the International Organization for Standardization ("ISO") ISO 31000 – Risk Management Standard, Malaysian Standards ("MS ISO") MS ISO 31000 – Risk Management Standards of Malaysia issued by Department of Standards Malaysia ("STANDARDS MALAYSIA") and the Malaysian Code of Corporate Governance 2017 ("MCCG2017") which was issued by Securities Commission ("SC") Malaysia recently.

This guidance principle of the above requirement is for the implementation of the best practice of risk management and for evaluating the effectiveness of the risk management approach.

In addition, the risk management approach will adhere to the Group's relevant policies and procedure as well as the risk management internal standard operating procedures ("SOP").

6. AUTHORITY

Group Risk Management (“GRM”) is accountable and responsible to report functionally to the Risk Management Committee (“RMC”) and the Head of GRM shall have unrestricted access to the Chairman of the RMC and reports to the Chief Executive Officer (“CEO”) on administrative matters.

The Head of GRM will be responsible to maintain objectivity and independence of risk management, and where necessary communicate to the CEO for recommendations and consideration. .

The risk management function, with strict accountability for confidentiality and safeguarding sensitive information and data, is authorized to have full access to any and all of the Group’s information, records, physical properties, and personnel pertinent to carrying out any engagement. All employees across the organisation are to provide support and render co-operation to assist risk management in its initiative to fulfil its roles and responsibilities.

The Risk Management Charter and ERM framework/policies are required to be approved by the Board as part of the Group’s guidelines of internal control mechanism for implementing the effectiveness of risk management. When necessary, the Head of GRM will communicate and interact directly with the RMC and Board, including during private sessions between Board meetings and Risk Review Sessions as appropriate.

7. INDEPENDENCE

The risk management function is functionally and hierarchically separate from the portfolio management and operational functions. This segregation of function away from other functional departments within the Group will provide a safeguarding element to maintain independence of the risk management function against conflicts of interests. These safeguards are reviewed by the relevant governing parties regularly and remedial actions are taken when necessary.

The risk management function shall remain independent of the business reporting structure whose activities and exposures it examines and have enough access to vital information to understand the business risk exposures.

The Board, senior management and business lines (business units or projects) shall ensure that the risk management function to recommend and provide assistance and guidance are crucially important in the considerations behind business decisions.

8. DUTIES AND RESPONSIBILITIES

The general scope and responsibilities of the GRM include but not limited to, conducting reviews, examination and evaluation of the adequacy and effectiveness of the Group’s risk management processes, internal control assurance and corporate governance practices in carrying out assigned responsibilities to achieve the Group’s stated mission and vision.

The main responsibilities & duties include the following:

- i. To prepare and develop the ERM framework as an overall risk governance and internal control for approval by the RMC and the Board. This includes considering the state of maturity of the Group’s risk management and tailored to the specific circumstances of the Group;

- ii. To assist the Group in identifying and evaluating significant exposures to risks and to contribute to the improvement of risk management and control system;
- iii. To assist in identifying opportunities to improve operating performance and management decision making and recommend solutions where appropriate;
- iv. To prepare and initiate the risk management program sessions or interactions with Management and respective Head of Business Units/Projects;
- v. To communicate formally and informally with the Management and relevant parties within the Group regarding risk governance and oversight;
- vi. To discuss with the CEO and Management on the Group's major risk exposures and review the steps or action taken to monitor and control such exposures, including Group's risk assessment and respective internal Standards Operating Procedures ("SOP");
- vii. To provide assurance on compliance to statutory requirements, company policies, guidelines, procedures, laws, and regulations which could have a significant impact on operations and to suggest policies and procedures where required;
- viii. To facilitate risk management ownership and accountabilities by Senior Management and relevant Business Unit/Projects;
- ix. To provide a standardized strategic and operational risk management methodology and process;
- x. To provide internal consulting and advisory services as part of the risk management scope as well as in response to a request by management. These engagements can be both formal and/or informal as long as it does not impair the independence and objectivity of risk management functions and its officers;
- xi. To validate that the risk management processes are adequate and effective and comply with internationally accepted risk management standards and;
- xii. To ensure standardized and integrated reporting on all risk management activities and risk exposure to the RMC and the Board.

The Group Risk Management is also responsible for the co-ordination and facilitation of specialized post risk materialisation disaster recovery and operational risk management processes, including business continuity planning, occupational health and safety management as well as compliance risk management. Reporting on these risk management activities to the aforementioned committees are also coordinated by the GRM.

9. MANAGEMENT'S ACCOUNTABILITIES & RESPONSIBILITIES

The Group's Risk Management Department holds the primary responsibilities for establishing, implementing, maintaining and monitoring a system of internal control. Review and appraisal by Risk Management Department do not, in any way relieve the other persons within the organization of the responsibilities assigned to them.

Internal controls are essential to ensure the overall operation effectiveness of the Group. It describes the activities or procedures designed to provide reasonable assurance that business operations are going according to plan. Without adequate internal controls in place, management has little assurance that its goals and objectives will be achieved. Properly designed and functioning controls reduce the likelihood of significant errors to occur and remain unmanaged and undetected.

As part of the Group's internal control processes, the Management shall ensure that their respective divisional risk profile is reviewed, updated and approved by the RMC and the Board on half yearly basis.

10. REPORTING AND MONITORING

A full written report will be prepared and issued by the Head of GRM or the relevant Risk Management executives following the conclusion of each risk management exercise and will be distributed to the relevant stakeholders as and when appropriate. The outcome of such will also be communicated to the RMC and the Board accordingly.

The Head of GRM will be responsible to periodically report to senior management, the RMC and the Board on the purpose of each risk management activities.

Reporting will also include findings in significant risk exposures and control issues, including strategic and operational risks, governance issues and other matters needed or requested by senior management, the RMC and the Board.

11. PERIODIC ASSESSMENT

The Head of GRM should periodically assess on the purpose, authority and responsibility, as defined in this charter, to enable the risk management activities to accomplish its goals and objectives.

The outcome of this periodic assessment shall be communicated to the RMC and the Board.

12. CHARTER REVIEW

Review the charter when required and update it as needed to respond to new-oversight needs and any changes in regulatory or other requirements.

Review and approve the management-level risk working committee charter (if applicable)

Perform any other activities consistent with this charter, the Group's bylaws, and governing laws that the Board and the RMC determines are necessary or appropriate.

Submit the charter to the RMC and the Board of IOIPG for approval.

APPROVED THIS 7 DAY OF SEPTEMBER 2018

BY THE BOARD OF DIRECTORS IOI PROPERTIES GROUP BERHAD