

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors of Alam Maritim Resources Berhad (Board) is committed to maintaining sound risk management and internal control system. Each business unit or functional group has implemented its own control processes under the leadership of the Group Managing Director (GMD) / Chief Executive Officer (GCEO), who is responsible for good business and regulatory governance. The Board is pleased to provide the following statement outlining the nature and scope of Alam Maritim Resources Berhad and its subsidiaries ("Group") risk management and internal control for the FPE2022.

RESPONSIBILITY

The Board of Directors of Alam Maritim Resources Berhad ("Board") asserts its overall responsibility for the Group's system of risk management and internal control and for reviewing the adequacy and integrity of the system. The system of internal control covers not only financial controls but also controls relating to operational, governance, risk management, strategy, organization and compliance with applicable laws, regulations, rules, and guidelines. The Board, through the Board Audit Committee ("BAC") recognizes that this system is designed to manage, rather than eliminate, the risks of not adhering to the Group's policies and to identify, assess and respond to risks to achieve the organization's goals and objectives within the risk tolerance to As Low As Reasonably Practicable ("ALARP") established by the Board and Management. Therefore, the system provides a realistic approach and solution, but not absolute against nature or Act of God, assurance against the occurrence of any material testimonial, forfeiture or deception.

The Board confirms that there is a continuous process of reviewing and reporting the adequacy and integrity of the Group's system of risk management and internal control to provide reasonable assurance in safeguarding shareholders' investments, the Group's assets and other stakeholders' interests. The process is regularly reviewed by the Board through the BAC and accords with the guidelines for Directors on internal control, the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers. Minutes of the BAC meetings which recorded these deliberations were presented to the Board.

A Board Risk Management Committee ("BRMC") was established and maintained in accordance with Section 22 of the Capital Markets and Services Act 2007 ("CMSA") to provide risk oversight and ensure prudent risk management of the Group's business and operations. At its meetings in FPE2022, the BRMC has reviewed, deliberated and provided advice on matters pertaining to the key corporate risks, risk assessment of projects and operations, and develop mitigation strategies and action plans.

Risk-related and internal control matters which warranted the attention of the Board were recommended by the BAC and BRMC to the Board for its approval and matters or decisions made within the BAC and BRMC's purview were updated to the Board for its notation.

KEY INTERNAL CONTROL PROCESS

In order to ensure Regulatory Compliance, Transparency, prevent Conflict-of-Interest, Health, Safety, Security and Environment Protection, the Group's risk management framework and internal control system comprises the following key processes:

1. CONTROL ENVIRONMENT

1.1. Board Committees

The Board acknowledges that ensuring sound governance requires effective and direct interaction among the Board, Management, Internal and External Auditors. The Board, in ensuring the effective discharge of its responsibilities is assisted by the Board Committees namely the BAC, Board Nomination and Remuneration Committee ("BNRC") as well as BRMC.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

1.2. Independence of the Board Audit Committee (“BAC”)

The BAC comprises non-executive members of the Board, all members being independent. The Committee has full access to both Internal and External Auditors and it meets with the External Auditors without any executive present at least twice a year.

1.3. Operating structure with clearly defined lines of responsibility and delegated authority.

The operating structure includes a defined delegation of responsibilities to the committees of the Board and the management team.

2. RISK MANAGEMENT

2.1 Risk management is regarded by the Board to be an integral part of the business and operations. Management is responsible for creating a risk awareness culture, educating with the necessary knowledge of risk management and revise regularly of Risk tools and procedures. They also have the responsibility for managing risks and internal control associated with the operations and ensuring compliance with applicable Laws, Regulations and Requirements.

3. BOARD RISK MANAGEMENT COMMITTEE (“BRMC”)

3.1 The BRMC is responsible for the Risk Management of the Group. The committee members comprise Independent Non-Executive Directors and Non-Independent Directors. The Group Chief Financial Officer, Head of Group Internal Audit and Risk Management also attended BRMC meetings as invitees.

3.2 The main responsibility of BRMC is to provide a strategic direction to the Management in managing Enterprise Wide Risk (“EWR”) within the Group via risk oversight so that the Group continues maintaining its effective risk assessment with mitigations plans in all aspects of the Group’s business activities as well to ensure the Management update their policies and procedures where necessary which shall help to guide the Group’s objectives are achieved as planned.

3.3 The BRMC is assisted by the Group Risk Management Working Committee (“GRMWC”) which comprises all Heads of Departments (“HOD”). The GRMWC is chaired by the Group Executive Director. The GRMWC is responsible for ensuring the effective implementation of the Group Risk Management Framework and the management of risks and controls associated with Group operations as well as the compliance with the applicable Laws, Regulations and Requirements. The GRMWC is also responsible to recommend the periodical reporting of key risk exposures to the BRMC.

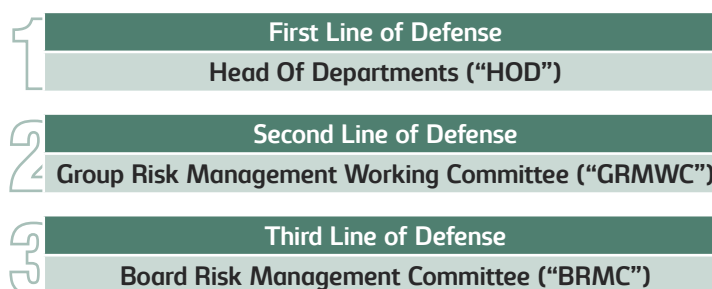
3.4 The GRMWC comprises the Group Managing Director, Group Chief Operating Officer, Group Executive Directors, Group Chief Financial Officer, Head of Business Units and Head of Group Internal Audit and Risk Management together with Heads of relevant Division and Departments as invitees.

4. RISK MANAGEMENT FRAMEWORK

4.1 The Group has put in place a Risk Management Framework with the aim of providing a consistent approach to risk and facilitating a reasonably accurate perception of acceptable risk by all employees. The framework essentially outlines the risk management governance and structure, processes, accountabilities as well as responsibilities throughout the organization.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Three (3) Line of Defense in Risk Management



5. ACCOUNTABILITY AND RISK TOLERANCE

- 5.1 Managing risks is a shared responsibility and is integrated within the Group’s governance, business processes and operations. Employees and Management’s commitment towards the risk management process is constantly emphasized and reinforced through the establishment of GRMWC and group discussion together with the monitoring and facilitation exercise by the Group Internal Audit and Risk Management department.
- 5.2 Our level of risk tolerance is expressed through the use of a risk impact and likelihood matrix with an established risk tolerance boundary demarcating those risks that are deemed to have “exceeded risk tolerance” and those which have not. We have a structured framework where all relevant risks level and mitigations’ effectiveness from each department are assessed during quarterly engagements with the Head of Departments (“HOD”), followed by quarterly deliberations in the GRMWC and BRMC. The risk, detailed issues, contributing factors, risks’ impact as well as mitigations are assessed to ensure the respective departments’ objectives are not hampered by their identified risks. Ultimately the Group’s corporate agenda and objectives are met as desired, where the remedial actions are planned, executed and monitored regularly.

6. RISK MANAGEMENT REPORTING

- 6.1 The Risk Management Framework (“RMF”) provides a comprehensive regular review and reporting. On a continuing basis, the Group Internal Audit and Risk Management Department coordinates with all Heads of Departments (“HOD”) to review and update their respective risk register. Potential major risks and mitigation plans and actions taken were discussed at GRMWC and are reported to the BRMC and the Board of Directors.
- 6.2 To ensure that our RMF and processes remain sound and are in compliance with internationally recognized standards, we have revised our existing Matrix and renamed Business Risk Assessment (“BARA”) and incorporated it into existing procedures. The BARA has incorporated four (4) parameters that will be assessed in determining the root cause of the risks i.e. Human, Environment, Asset and Reputation (collectively known as “HEAR” factors).

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

7. CONTROL ACTIVITIES

7.1 Policies, Procedures and Limits of Authority

Well-defined financial limits of authority on all financial commitments for each level of management within the Group and clearly documented internal policies, standards and procedures are in place to ensure compliance with internal controls and relevant laws, Regulations and Requirements and are regularly updated to reflect changing risks or resolve operational deficiencies. Regular reviews are performed to ensure that documentation remains current and relevant. Common Group policies are available on the Group's intranet for easy access by employees. All policies and standards are approved by the Board and cases of non-compliance are reported to the Board by exception.

7.2 Strategic Business Planning, Budgeting and Reporting

Regular and comprehensive information provided by management for monitoring of performance against strategic plan, covering all key financial, investment and operational indicators. On a quarterly basis, GMD reviews with the Board on all issues covering, but not restricted to, strategy, performance, resources and standards of business conduct; a detailed budgeting process is established requiring all business units to prepare budgets annually which are discussed and approved by the Board and effective reporting systems which expose significant variances against budgets and plan are in place to monitor performance.

8. INSURANCE AND PHYSICAL SAFEGUARD

8.1 Adequate insurance and physical safeguard on major assets in place to ensure that the assets of the Group are sufficiently covered against any liabilities that will result in material damage, claim or losses to the Group.

8.2 A yearly policy renewal exercise is undertaken by Management to review the coverage based on the current fixed asset register and the prevailing market price for the same or similar item, where applicable.

9. INFORMATION AND COMMUNICATION

9.1 Timely communication of relevant information such as the Group's achievement and changes with regard to corporate and organizational structure and policies and procedures, enabling employees to focus on and perform their responsibilities effectively.

9.2 The Head of subsidiaries and joint venture companies within the Group also participates in business dialogue programs with Senior Management of the Group to discuss on strategies and challenges faced towards achieving the business goals and objectives.

10. EFFECTIVE REGULAR MONITORING

10.1 Management Visit

Directors and Senior Management, where necessary conduct visits to marine vessels, branch offices, project sites, customers and business partners' offices to review the Group's operations and gain a better understanding to facilitate cognizant of decision-making capability.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

10.2 Internal Audit Function

In order to ensure that the internal controls system is viable and robust, periodic examination of business processes and the internal controls procedures and processes by the Group Internal Audit function to monitor and review the effectiveness and efficiency of the system of internal control. Reports on the reviews carried out by the Internal Auditor are submitted on a regular basis to the management and the BAC.

10.3 Performance Management

In order to nurture the quality and competencies of employees, continuing education, training, seminar and development programs are emphasized to enable employees to discharge their duties effectively. Progressively, employees' performance is measured according to the sets of key performance indicators i.e. Performance & Development Appraisal ("PDA") aligned to their functions as assigned to them which they are expected to accomplish.

REVIEW OF STATEMENT BY EXTERNAL AUDITORS

Pursuant to Paragraph 15.23 of the Bursa Malaysia Listing Requirements, the external auditors have reviewed this Risk Management and Internal Control Statement. Their review was performed in accordance with the scope set out in the Recommended Practice Guide (RPG) no. 5 issued by the Malaysian Institute of Accountants ("MIA").

Based on their review, the external auditor has reported to the Board that nothing has come to the attention that causes them to believe that this Statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and integrity of internal control of the Group.

RPG no. 5 does not require the external auditors to consider whether this Statement covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board and management thereon. The external auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

CONCLUSION

For the financial year under review, based on inquiry, information and assurance provided by the Group Managing Director and the Group Chief Financial Officer, the Board is of the opinion and to the best of its knowledge that the system of internal controls and risk management processes are adequate and sound to provide reasonable assurance in safeguarding the shareholders' investments, the Group's assets and other stakeholders' interests as well as in addressing key risks impacting the business operations of the Group. The Board has been acknowledged by the External Auditors that there was no major internal control weakness identified which may result in material loss or uncertainty that would require disclosure other than what has been included in this Annual Report.

This Statement on Risk Management and Internal Control has been prepared in accordance with the Bursa Malaysia Listing Requirements and guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers. This Statement has been approved by the Board at its meeting on 28 October 2022.