

# SIA ENGINEERING COMPANY RISK MANAGEMENT FRAMEWORK

## 1 RISK MANAGEMENT FRAMEWORK

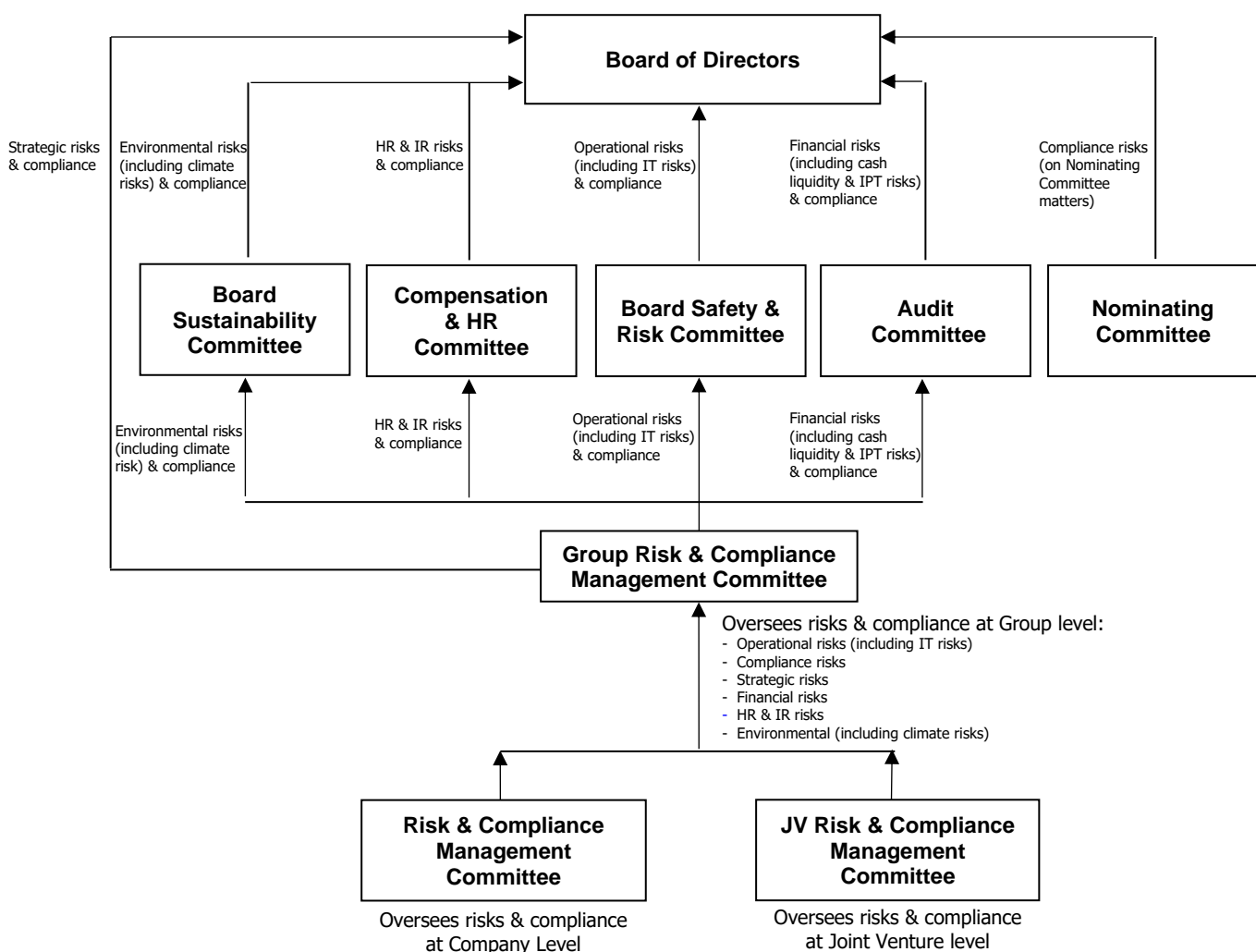
1.1 In 2003, SIAEC formalised its Risk Management Framework, encompassing a Governance and Reporting Structure, a standardised Risk Management Process and a set of risk management principles, policies and guidelines.

## 2 GOVERNANCE AND REPORTING STRUCTURE

2.1 **Board of Directors** - Annually, SIAEC's Board of Directors reviews and discusses strategic and other key risks of the Group.

2.2 **Board Committees** - The Board's oversight is supported by the Board Safety & Risk Committee and other Board committees that review and ensure that top risks are managed appropriately. The Board Safety & Risk Committee oversees Management's implementation of the Risk Management Framework and assesses the adequacy and effectiveness through regular reviews.

### SIAEC GROUP RISK GOVERNANCE STRUCTURE

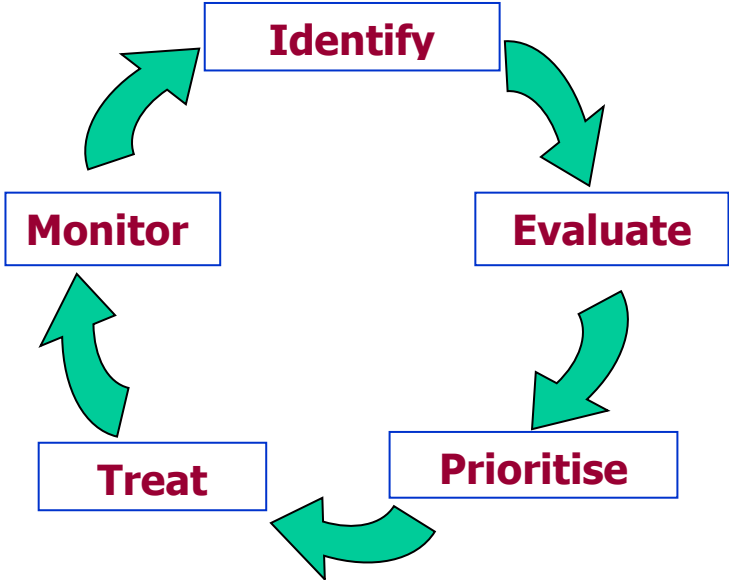


- 2.3 **Risk Management Committees** - The Group Risk & Compliance Management Committee, Company Risk & Compliance Management Committee and Joint Ventures Risk & Compliance Management Committee drive the implementation of the Risk Management Framework through detailed review of risks and corresponding controls, to ensure key risks are identified, managed and surfaced to the Board committees.
- 2.4 **Risk Management Function** - The Risk Management Department provides support to the Risk Committees and Business Units, ensuring that risks are surfaced by Business Units from the bottom-up to complement the top-down perspectives provided by Management and the Risk Committees. Risks are structured based on a standardised risk assessment methodology and categorisation to ensure the review of risks is consistent and aligned across business functions and SIAEC Group Companies. In addition, dedicated corporate functions with subject matter expertise are in place to oversee the policies and standards to manage specific areas of key risks.

**3 RISK MANAGEMENT PROCESS**

- 3.1 **Structured Process** - Within the Risk Management Framework, a 5-step “Risk Management Process” is adopted to facilitate communication, understanding and application by all levels of staff. The 5-steps – **Identify, Evaluate, Prioritise, Treat** and **Monitor** risks – form a re-iterative process to assess risks and are depicted as follows:

**SIAEC’s 5-Step Risk Management Process**



- 3.2 **Multi-pronged Strategies** – Risk appetite, risk policies and guidelines are developed and embedded in the risk management process to ensure a sound system of risk management and internal controls in safeguarding the interests of the Company and shareholders. Within this process, multi-pronged risk response strategies, such as Avoidance, Prevention, Mitigation and Transference, are employed to address the identified risks. A combination of control measures adopted would serve to protect the organisation in various aspects for more effective management of risks. Crisis

Management, Business Continuity and Disaster Recovery Plans are also developed to mitigate the impact on business operations and ensure business resilience.

- 3.3 **Ongoing Review of Risks** – The SIAEC Risk Management Framework emphasises an iterative process of assessing risks through activities that facilitate ongoing review of risks. These activities are embedded within the work schedules of the Business Units and driven by the regular reviews and reports surfaced to the Risk Committees. In addition, a formal process is in place to ensure all identified risks are consolidated at the Company and Joint Ventures levels through a Group-wide risk review exercise conducted annually, during which Business Units ensure that risk registers are kept current in terms of the identification, assessment and management of prevailing risks.

## 4 PRINCIPLES, POLICIES AND GUIDELINES

- 4.1 **Governing Philosophy** - The overarching philosophy is provided by the Risk Management Policy Statement as follows:

“SIAEC is to be a risk-aware organisation such that the taking of risks necessary for the achievement of its corporate objectives is carried out knowingly, and risks that represent a threat to SIAEC are managed so as to protect and enhance the value of the organisation in the interests of shareholders and stakeholders of SIAEC.”

- 4.2 **Principles** - A set of Risk Management Principles adapted from ISO 31000 provides the underlying basis for the scope and objectives of the risk management effort.

Risk management should:

- (a) create and protect value by facilitating continual improvement of the organisation;
- (b) be an integral part of all organisational processes, including decision-making;
- (c) reduce the probability or consequences of the risk event;
- (d) be systematic, structured and timely;
- (e) be based on the best available information and reviewed regularly;
- (f) be customised to the needs of the organisation, including taking into account human, cultural and environmental factors;
- (g) be transparent and inclusive; and
- (h) be dynamic, iterative and responsive to change.

- 4.3 **Corporate Risk Objectives** - A set of corporate risk objectives guides business units in formulating plans to manage risks. These objectives can be represented by the mnemonic 'PEARLS' and are:

- |                     |   |
|---------------------|---|
| <b>People</b>       | - protect People from harm or injury                    |
| <b>Environment</b>  | - protect the Environment from damage and pollution     |
| <b>Assets</b>       | - protect the Assets of the Company                     |
| <b>Reputation</b>   | - protect the Reputation of the Company                 |
| <b>Liability</b>    | - protect against incurring Liability                   |
| <b>Supply Chain</b> | - protect the Supply Chain against critical disruptions |

- 4.4 ***Risk Appetite Statement*** – SIAEC Group Risk Appetite Statement<sup>1</sup> outlines the Group’s stance and approach towards various key risk areas. It provides an overarching guidance for managing and prioritising risks in pursuing the Group’s objectives and business opportunities.
- 4.5 ***Risk Management Policies*** – As part of the SIAEC Risk Management Framework, a comprehensive Risk Management Manual, accompanied by the Business Continuity Management Guidelines and Third-Party Risk Management Guidelines has been developed with reference to established guidelines and best practices such as the ISO 31000, a globally recognised standard for risk management. In addition, other Governance, Risk & Compliance (GRC) stakeholders have established various corporate policies and guides that cover a wide range of risk areas, ensuring that all key risks are managed in a holistic and integrated manner. These resources provide our staff with clear and comprehensive guidance on best practices and equip them with the knowledge and tools required to manage risks effectively in their respective areas of operation, thereby fostering a strong risk-aware culture across the Group.

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<sup>1</sup> Please refer to the latest SIAEC Annual Report on SIAEC’s website for the Risk Appetite Statement