Risk Management

OVERVIEW

The geopolitical conflicts and the U.S. election in 2024 contribute to a dynamic landscape marked by market volatility, geopolitical tensions, and evolving regulatory requirements. These challenges, combined with rapid technological advancements and environmental considerations, demand a proactive and resilient approach to risk management. In this environment, our risk management framework serves as a strategic pillar for sustainable growth and long-term value creation.

Risk management is deeply embedded in our strategic and operational decision-making processes. We recognise that a structured approach to identifying, assessing, and mitigating risks is essential for achieving business objectives and protecting shareholder value. While we strive to manage risks prudently, we acknowledge that not all risks can be eliminated. Instead, we focus on mitigating exposures to acceptable residual levels, ensuring they remain commensurate with potential rewards.

Our approach is guided by the Group's risk appetite, which considers a comprehensive assessment of the macroeconomic environment. This ensures that risks are meticulously balanced against strategic growth opportunities. To support business expansion, we continuously develop and refine centralised risk control functions, enabling efficient risk assessment and mitigation while maintaining flexibility to adapt to changing market conditions.

To reinforce our commitment to robust risk management, we are implementing automation initiatives to streamline operations, enhance risk visibility, and empower decision-making with data-driven insights.

RISK GOVERNANCE AND OVERSIGHT STRUCTURE

Our governance structure follows a four-tiered approach.

MEWAH'S RISK GOVERNANCE & OVERSIGHT STRUCTURE

Risk Management

Mewah's Board of Directors through the Board's Audit Committee, which solely consists of three independent directors, provides independent oversight of the Group's risk, internal controls and governance to safeguard the company and its stakeholders.

Chaired by the CEO, the Executive Risk Management Team ("**ERMT**") drives the Group's risk strategy, with key leaders including the Chairman, Deputy CEO, CFO, and Head of Risk Management. The ERMT evaluates, monitors and review the overall effectiveness of the risk management system to achieve its strategic objectives. It ensures regulatory compliance and upholds best practices in risk management to enhance corporate resilience and long-term value creation and ensures a structured risk governance approach. It reviews and recommends to the Board's Audit Committee the Group's risk tolerance threshold, reviewing policies and procedures while managing exposures across products and regions.

The Risk Department acts as the custodian of the risk framework, tracking and measuring risks while ensuring compliance with established limits. It escalates significant issues, and leads training initiatives to embed a proactive risk culture. At the operational level, Risk Owners across business units identify and mitigate risks, ensuring effective controls. By integrating risk management into business processes, Mewah strengthens resilience, enhances decision-making, and reinforces its commitment to sustainable growth and stakeholder confidence.

This structured governance framework ensures both top-down and bottom-up engagement, aligning strategic objectives with operational realities while enabling informed decision-making and robust risk management across all levels.

MEWAH'S FOUR LINES OF DEFENSE MODEL

Mewah upholds a comprehensive risk management framework, aligned with global standards and industry best practices. Our structured approach ensures risks are systematically identified, assessed, and managed at all levels, reinforcing operational excellence and sustainability. To strengthen governance, we implement a Risk Management hierarchy, ensuring clear accountability across operational management, risk and compliance functions, internal audit, and executive oversight. This governance enhances risk anticipation, mitigation, and response, safeguarding stakeholders and reinforcing Mewah's position as a responsible industry leader.

Mewah's Risk Management Framework provides a systematic approach by integrating risk-informed decision-making, supported by Value-at-Risk ("**VaR**") and proactive hedging, while enhancing financial and operational resilience. Continuous stakeholder engagement is a priority, while the Risk Department leads training and workshops to instil a risk-aware culture. Risk mitigation, including forward contracts, natural hedging, and counterparty credit assessments, strengthens our ability to navigate market uncertainties.

The Internal Audit function reinforces Mewah's risk governance through a risk-based audit approach, focusing on high-impact areas. Aligned with strategic objectives and regulations, Internal Audit provides independent assurance to the Board and management, ensuring robust governance, risk management, and controls. By fostering a risk-aware culture, all levels of the group make proactive, informed decision, enhancing resilience and sustainable growth.

MEWAH'S FOUR LINES OF DEFENSE MODEL

Governing Body
Accountable to stakeholders for organisational oversight and ensures the Group's governance effectiveness through its leadership

Internal & External Assurance
Maintains primary accountability to the governing body and independence from the responsibilities of management

Oversee
Provides the framework, policies and systems to govern the process of risk assessment and risk management. Provides expertise and risk oversight. Monitors and ensures the adequacy and effectiveness of internal control

Manage
Owns and manages risks. Identifies, assesses, controls and mitigates risks on a day-to-day basis. Responsible for maintaining effective internal control and executing control procedures

KEY RISKS FOR MEWAH

Risk Category	Risk Type	Definition	Mitigations
Market Risk	Commodity Price Risk	Agricultural commodity prices are very volatile, with the price fluctuations driven by factors like supply and demand dynamics, geopolitical events, currency fluctuations, and weather conditions. In sourcing raw materials and selling manufactured products, the Group is exposed to commodity price fluctuations, as the sale and purchase commitments do not typically match at the close of each business day.	• The Board sets Group-level risk envelopes including market risk Value at Risk ("**VaR**"). The Risk Department allocates these limits across business units and monitors exposure to ensure compliance. • The positions are tracked and monitored against the limits set. This limit is reviewed regularly based on prevailing market conditions. • The Group uses derivative instruments, predominantly exchange traded futures for the purpose of managing exposures associated with commodity prices. The derivative instruments that we use for hedging purposes are intended to reduce the volatility in our operations. While these derivative instruments are subject to fluctuations in value, those fluctuations are generally offset for the hedged exposures by the changes in fair value of the underlying exposures. • However, as our major portion of inventories are valued at cost or net realisable value whichever is lower, no compensating fair value gain get recognised in our reported financial statements for inventories. Our net commodity position consists of our inventory of raw material and finished goods, forward purchase and sale contracts, and associated derivative instruments. The fair value of this position is a summation of the fair values calculated by valuing all our positions at quoted market prices for the period where available or utilising a close proxy. VaR is calculated on the net position and monitored at the 95% confidence interval. • The Group has been consistently working to actively manage and mitigate this inherent risk by systematic diversification of our product portfolio such as by increasing the sales volumes of consumer pack segment and value-added products.
Financial Risk	Counterparty and Credit Risk	We are subject to counterparty and credit risks that arise through our sale contracts and purchase transactions. This risk is influenced by global and local macroeconomic conditions, which contribute to ongoing volatility in commodity and financial markets, affecting the stability and reliability of business partners.	• Counterparties undergo rigorous due diligence to assess credit worthiness, including thorough evaluations of their financial standing, management capabilities, and performance track record. We leverage the strong internal knowledge of our commercial team and industry contacts to perform market background checks and further enhance this assessment. • The Risk Department allocates the Board approved limits across businesses and on individual parties, with consideration of Group's risk appetite as well as the size of relevant transactions in comparison to Group's Balance Sheet, set in accordance with defined approval hierarchies. Where possible, risks are mitigated through credit insurance, marine insurance, or bank guarantees. • The Group actively monitors credit and counterparty risks through regular reviews of exposures and credit analysis. • Existing credit limits are periodically reviewed after considering their payment history, transaction volume, and the duration of our business relationship, aligned with prevailing market conditions. • The Operational teams take their compliance obligations regarding international sanctions extremely seriously with support from the Risk, Legal and Treasury Departments.

Risk Category	Risk Type	Definition	Mitigations
Financial Risk	Foreign Exchange Risk	The Group's functional and reporting currency is in US Dollars ("USD"). Our key origin's exports are denominated in USD. The majority of our expenses and domestic sales are denominated in the respective subsidiary's local currency. The primary currencies we are exposed to directly or indirectly are Malaysian Ringgit, Euro, Singapore Dollar, Indonesian Rupiah, Australian Dollar and Chinese Yuan.	• Transactional foreign exchange exposures are managed by accessing forward FX markets, local currency borrowing as well as by implementing natural hedges within our business operations whenever possible. • As our consolidated financial statements are prepared in USD, this requires many of our subsidiaries financial statements to be translated from their respective local currency to the Group's reporting currency, USD. The fluctuations in the currency exchange rates due to this translation process also leads to foreign exchange gains or losses recognised in our reported financial statements. The equity in these countries is not hedged as these foreign currency exposures are considered long-term in nature.
	Liquidity (Cash Flow) Risk	Cash flow risk refers to the risk that the Company's cash flow will be insufficient to meet its liabilities when they become due.	• The Group continuously monitors its ability to meet cash flow requirements and evaluates its overall financial position. • Cash flow trends, debt maturity profiles, and market conditions are regularly assessed to identify optimal funding opportunities.
	Interest Rate Risk	• A major portion of our borrowings are from short-term trade finance banking facilities. These are used to fund our operations. • We also borrow term loans from banks. Such term loans are generally taken for funding our long-term investments.	• Our short-term loan facilities are generally linked to the prevailing interest rates. Our marketers budget these interest expenses into their product pricing, basis their forecasted cash conversion cycle, and recover from the customers. • Our long-term assets are substantially funded by equity, but we do avail ourselves of long-term loans from banks as part of our overall liquidity management strategy. We manage these term loans through our Group's capital management strategy. • The Group periodically reviews its financial ratios to assess its ability to service long-term loans.

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Risk Category	Risk Type	Definition	Mitigations
Geopolitical Risk	Country Risk	Country risk refers to adverse impact on business operations due to political, economic, social, or environmental factors in a particular country.	• The Group continuously monitors country risk exposure across all regions of operation and stays informed about relevant news and events. The Group also takes political risk and terrorism risk insurance as per their assessment. • We ensure full compliance with local laws and regulations in each country where we operate.
Compliance Risk	Regulatory Compliance Risk	Regulatory compliance risk refers to the risk of failing to comply with laws and regulations that govern business operations, potentially leading to legal penalties, financial losses, and reputational damage.	• Driven by a robust governance framework and a proactive compliance culture, Mewah is positioned to uphold full regulatory adherence through continuous legal oversight, compliance tracking, and strategic engagement with regulators to navigate evolving industry requirements.
	Sanction Risk	Sanction risk involves the legal, financial, and reputational consequences of engaging with sanctioned entities, individuals, jurisdictions, or conducting prohibited transactions.	• Mewah has implemented a robust sanctions compliance framework. This includes regular risk assessments to identify exposure, due diligence on counterparties, and screening of transactions against major international sanctions lists. Employee training and awareness form a vital aspect of our sanction risk management strategy.
ESG Risk	Environmental Risk	Environmental risk arises from a company's impact on ecosystems, including pollution, deforestation, and resource depletion, leading to regulatory penalties and reputational harm.	• Through the implementation of various sustainability initiatives, Mewah is enhancing environmental stewardship by integrating eco-efficient technologies, achieving industry-recognised certifications, and strengthening its sustainability governance to mitigate long-term environmental risks.
	Social Risk	Social risk includes challenges related to labour rights, human rights, and community relations, which, if mismanaged, can result in reputational and financial losses.	• Mewah is reinforcing its commitment to responsible business practices by continuously enhancing ethical sourcing protocols, strengthening worker welfare initiatives, and advancing its grievance mechanisms to uphold the highest social responsibility standards.
	Climate-Related Risks	Climate-related risks encompass transition risks from regulatory shifts and physical risks such as extreme weather events, affecting business continuity and market positioning.	• Through a structured ESG governance framework, Mewah is integrating climate resilience strategies, optimising energy efficiency, and aligning with global sustainability benchmarks to ensure long-term business adaptability in response to evolving climate regulations.

Risk Category	Risk Type	Definition	Mitigations
Cyber & Data Security Risk	Cyber & Data Security Risk	Cyber and data security risks threaten critical IT systems, data integrity, and business operations, leading to potential financial and reputational damage.	• By continuously fortifying our IT cybersecurity architecture, enhancing system resilience, and embedding risk data analytics, Mewah is strengthening its ability to mitigate cyber threats, ensuring a secure and adaptive digital ecosystem.
Operational Risk	Safety, Health & Environmental ("**SHE**") Risk	SHE risk pertains to workplace safety, employee health, and environmental hazards that could lead to operational disruptions or legal liabilities.	• Through rigorous safety governance, predictive risk assessments, and continuous workforce training, Mewah is fostering a high-reliability culture that prioritises operational excellence and regulatory compliance in workplace safety and environmental management.
Reputational Risk	Reputational Risk	Reputational risk stems from negative publicity, ethical breaches, or operational failures that can erode stakeholder trust and brand value.	• Our policies, codes and standards focus on enhancing transparency in corporate communications, and strengthening stakeholder engagement, reinforcing Mewah's reputation as a trusted industry leader, prepared to navigate reputational challenges with agility.