PAXYS

Enterprise-wide Risk Management

PURPOSE/OBJECTIVES

Enterprise Risk Management is a process, effected by an entity's Board of Directors, management and other personnel, applied in strategy setting and across the enterprise that is designed to identify potential events that may affect the entity, manage risks to be within its risk appetite, and provide reasonable assurance regarding the achievement of entity objectives.

The Enterprise-wide Risk Management Program of Paxys, Inc. and Subsidiaries establishes the standards, processes and accountability structure to identify, assess, prioritize and manage key risk exposures across the Group. It enables the Board, Executives, Management, and employees to understand and effectively manage a broad array of risks in an informed and strategic manner to within an acceptable tolerance level.

RISK MANAGEMENT POLICY

Paxys recognizes that there is always uncertainty in doing business. These uncertainties come in the form of risk or opportunities that may present a threat to achieving the Company's objectives or may lead to potential growth and value if treated and managed effectively.

The effective management of the risks brought by uncertainties is the underlying rationale for the Enterprise Risk Management (ERM) program of the Company. Risks associated with the business are identified and managed through a top down approach. In assessing their potential effects, the identified risks are measured in terms of impact and likelihood. Action plans are then taken to ensure that the risks are addressed accordingly.

The ERM Program shall be a sustainable process to enable Paxys to focus and manage its key risks and embed risk management culture and awareness across all the organization, its subsidiaries, departments and functions. This shall include the following:

- Defining a risk management strategy

- Identifying and analyzing key risks exposure relating to economic, environmental, social and governance factors and the achievement of the organization's strategic objectives;

- Evaluating and categorizing each identified risk using the company's predefined risk categories and parameters;

- Establishing a risk register with clearly defined, prioritized and residual risks;

- Developing a risk mitigation plan for the most important risks to the company, as defined by the risk management strategy;

- Communicating and reporting significant risk exposures including business risks (i.e., strategic, compliance, operational, financial and reputational risks), control issues and risk mitigation plan to the Board Risk Oversight Committee; and

- Monitoring and evaluating the effectiveness of the organization's risk management processes.

KEY ROLES AND RESPONSIBILITES

Board of Directors
The Board is ultimately responsible in ensuring that an efficient and effective Enterprise Risk Management process is in place to effectively identify, monitor, assess and manage key business risks to enable the group to anticipate and prepare for possible threats to its operational and financial viability. The risk management framework guides the Board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.

Audit, Risk Management and Related Party Transactions Committee
The Audit and Risk Committee assists the Board in ensuring that the risk management program is in place. The Committee ensures that an enterprise-wide risk management framework has been adopted and implemented. Identified critical or high risks areas are presented to the Board for information and resolution.

Chief Risk Officer (CRO)
The Chief Risk Officer shall be the ultimate champion for the whole ERM program. The responsibilities of the CRO includes the following:

- supervises the entire ERM process and spearheads the development, implementation, maintenance and continuous improvement of ERM processes and documentation.

- Communicates the top risks and the status of implementation of risk management strategies and action plans to the Audit, Risk Management and RPT Committee;

- Collaborates with the CEO in updating and making recommendations to the Board Risk Oversight Committee

- Suggests ERM policies and related guidance, as may be needed; and
- Provides insights on the following:
  - Risk management processes are performing as intended;
  - Risk measures reported are continuously reviewed by risk owners for effectiveness; and
  - Established risk policies and procedures are being complied with.

Internal Audit

The internal audit is an independent function established to assist in the review of the Group's internal controls, governance and risk management. The internal audit is responsible in providing an independent and objective view of the effectiveness of the Group's risk management process and provide recommendations for continuous improvement and management of risks.

Management and Employees

Management and the employees as a whole shall support the Group's risk management philosophy, promote compliance with the risk appetite and manage risks within their areas of responsibility. Management takes ownership for managing the risks within their areas of responsibility and is accountable for designing, implementing, monitoring and integrating ERM into their day-to-day activities. This should be done in a manner that ensures that risk management becomes a valuable strategic management tool.

ENTERPRISE RISK MANAGEMENT FRAMEWORK

Paxys' Enterprise Risk Management Framework is made up of six process components which was derived from the Committee of Sponsoring Organizations of the Treadway Commission ERM Framework. While no risk management system can be absolutely correct and complete, the goal is to make critical and major business risks are managed within the Company's acceptable levels.

Event Identification & Risk Assessment
As part of the strategic planning process and day-to-day management of the business, functional leaders identify internal and external events that may affect the achievement of our Company's objectives. Risk management function personnel help identify and assess these risks through their expertise, formal assessments and analysis of business intelligence and trends.

Risk Response
A response is determined based upon the overall risk exposure, considered as a function of likelihood and impact of the occurrence. Risk responses may include avoiding or evading, accepting, reducing, and sharing or transferring risk.

Control Activities

Control activities are established to ensure that risk responses are carried out effectively and consistently throughout the organization. This involves formalizing risk response in our Company policies, ensuring clear accountability, utilizing self-assessment and monitoring tools and designing controls into our systems and critical business processes.

Information & Communication

Information and communication channels are in place to make the organization aware of risks that fall into their area of responsibility and expected behavior and actions to mitigate negative outcomes.

Monitoring

Management reviews, as well as assurance activities, such as testing, auditing and assessments, are in place to ensure that risks are effectively identified and assessed