

Statement on Risk Management & Internal Control

INTRODUCTION

The Board is pleased to present the Statement on Risk Management and Internal Control, pursuant to Paragraph 15.26(b) of the Listing Requirements of Bursa Malaysia and the CG Code, guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Companies (“SORMIC Guide 2025”). Essentially, this Statement outlines the nature and key components of the Group’s risk management and internal controls, as well as how these are embedded within the Group’s business operations to support the achievement of its strategic objectives.

BOARD RESPONSIBILITIES & ACKNOWLEDGEMENT

The Board of the Company in discharging its responsibilities, is fully committed to implementing an effective risk management and internal control system. The Board is responsible for determining the Group’s risk appetite and identifying, assessing and monitoring key business risks, including sustainability risks and opportunities, in order to safeguard shareholders’ investments and the Group’s assets.

The risk management and internal control systems are specifically designed to manage as opposed to eliminate, risks that may impede the achievement of the Group’s overall business objectives and strategies. However, due to inherent limitations in the risk management and internal control systems, the Board recognises that these systems can only provide reasonable but not absolute assurance against fraud, material misstatement or loss. Nonetheless, all efforts have been taken to provide reasonable assurance that significant risks which impact the Group’s strategies and objectives are within levels appropriate to the Group’s business.

The Board acknowledges its responsibility to review and monitor the adequacy, effectiveness and integrity of the Group’s internal control systems and risk management framework, including systems for compliance with applicable laws, regulations, rules, directives and guidelines. In achieving the above, the Board has delegated these responsibilities to the Risk Management and Sustainability Committee and Audit Committee, to ensure oversight of risk management and internal control systems respectively.

1) Risk Management and Sustainability Committee (RMSC)

The RMSC provides oversight, direction and counsel over the key risk areas of the Group. The RMSC assists the Board to, among others:

- Oversee the establishment and implementation of a risk management framework and assess the effectiveness of risk reporting structure;
- Review the effectiveness of the risk management framework in identifying, assessing and managing risks, including sustainability risks and opportunities;
- Review and recommend risk management strategies and policies for the Board’s approval; and
- Assess significant investments of the Group and recommend appropriate risk response strategies to the Board for approval.

2) Audit Committee (AC)

The AC supports the Board in monitoring the Group’s risk exposures, as well as the design and operating effectiveness of the underlying risk management and internal controls systems.

The AC assists the Board to, among others:

- Review reports of any control issues identified during their audit-related and non-audit related works and discuss with the external auditors on the scope of their respective reviews and findings;
- Fulfil its responsibilities, particularly in the areas relating to the accounting and management controls, and financial reporting of the Group; and
- Periodic reviews of the strengths and weaknesses of the overall internal controls system and action plans to address the risk arising from the identified weaknesses or to improve the assessment process.

Statement on Risk Management & Internal Control (CONT'D)

MANAGEMENT'S RESPONSIBILITIES

Management is accountable to the Board and is responsible for effective implementation of risk management and control mechanisms, including:

- providing executive leadership in the management of risk within their work responsibilities
- identifying and evaluating risks faced by the Group
- formulating and implementing internal control and risk management actions and mechanisms
- implementing remedial actions in response to significant risks, and addressing compliance and control issues
- monitoring the overall achievement of business objectives and strategies

Management is committed to operating a sound system of internal control which will be continuously reviewed, updated and improved upon in line with changes in the operating environment. Key to this is to identify significant threats and opportunities, evaluate the risk profile and drive mitigation strategies on a regular basis. All heads of departments, managers and senior executives are required to assume responsibility for risk management within their areas of responsibility and ensure that risk management is embedded in day-to-day business and decision-making processes.

RISK MANAGEMENT FRAMEWORK

The Board recognises that risk management is an integral part of the Group's business operations and is important for the achievement of its business objectives. The Group has established a Risk Management and Sustainability Committee ("RMSC") that is chaired by the Managing Director and its members comprising the Executive Directors, Heads of Divisions & Departments ("HODS") and staff from key operations. Members of the RMSC are tasked with the role to identify risks relating to their areas; likelihood of these risks occurring; consequences if they do occur; and actions being and/or to be taken to manage these risks to an acceptable level. The risk profiles and risk treatment measures determined from this process are documented in risk registers with each business or operations area having its respective risk register. The risk registers are eventually compiled to form the Group Risk Profile for reporting to the RMSC and the Audit Committee (as the case may be).

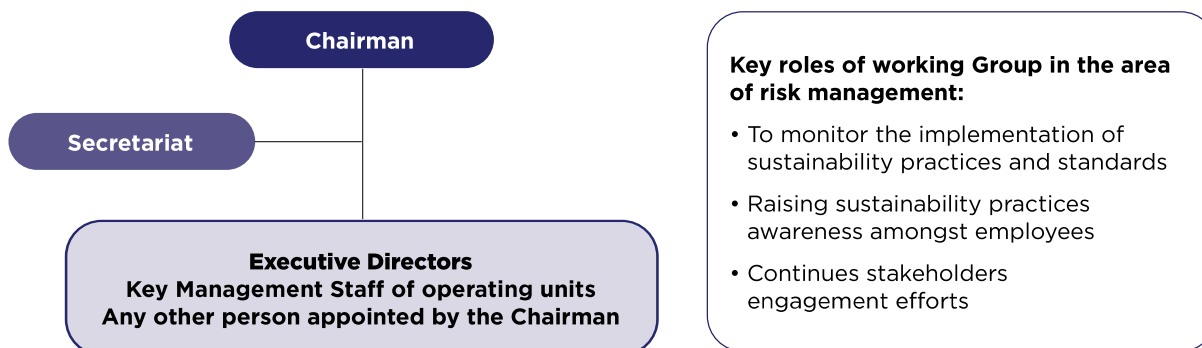
Ongoing risk management education and training is provided at Management and staff level by members of the RMSC.

Risk Management & Sustainability Committee



KIM LOONG RESOURCES BERHAD

Statement on Risk Management & Internal Control (CONT'D)

RISK MANAGEMENT FRAMEWORK (CONT'D)
Risk Management & Sustainability Committee - Working Group

Note:

The Chairman of the Working Group can be a member of the Risk Management & Sustainability Committee or appointed by the Risk Management & Sustainability Committee

ENTERPRISE RISK MANAGEMENT (“ERM”) FRAMEWORK METHODOLOGY & OBJECTIVES

The primary objective of the ERM framework is to support the achievement of the Group’s strategic objectives, safeguard the Group’s resources, people, finances, property, knowledge and reputation. In realising this primary objective, the ERM framework is designed to:

- Provide a structured and consistent approach in risk identification, assessment, mitigation, monitoring and reporting;
- Assist decision makers in making informed management decisions, taking risk exposures into account, as well as leveraging opportunities;
- Generate risk profiles and reports that will be used to support and substantiate strategic decisions;
- Create an environment where staff are assigned specific roles and assume responsibilities for managing risks they are responsible for as well as carry out mitigation plans as agreed;
- Provide relevant and timely information across clear reporting structures and level of authority; and
- Provide feedback to the Management on the adequacy and effectiveness of controls in place through the conduct of independent audit activities.

Risk Rating Matrix used by the Group.

		IMPACT				
		Insignificant	Minor	Moderate	Major	Catastrophic
LIKELIHOOD	Almost certain	Low Medium	Medium	Mid High	High	High
	Likely	Low Medium	Low Medium	Mid High	High	High
	Possible	Low Medium	Low Medium	Medium	Mid High	High
	Unlikely	Low Medium	Low Medium	Low Medium	Mid High	High
	Very unlikely	Low Medium	Low Medium	Low Medium	Medium	Mid High

- High ● Mid High ● Medium ● Low Medium ● Low

The RMSC conducts annual reviews on the adequacy and effectiveness of the Group’s ERM framework and policies, particularly in relation to the approach for risk identification, assessment, mitigation, monitoring and reporting.

Statement on Risk Management & Internal Control (CONT'D)

ENTERPRISE RISK MANAGEMENT (“ERM”) FRAMEWORK METHODOLOGY & OBJECTIVES (CONT'D)

Inherently, the Group's business activities expose the Group to a variety of risks, including but not limited to operational and financial risks. The Group's overall risk management objective is to ensure that the Group creates and protects value for its stakeholders and is able to link risk mitigation or opportunity enhancement towards achieving the Group's performance targets. The Group operates within an established ERM framework with clearly defined policies and guidelines that are approved by the Board.

THREE-TIER DEFENCE MODEL

Under the Group's Three-Tier Defence model, the Group protects itself from threats with relevant guidelines on risk reporting and disclosure.

1st Line of Defence

Each Head of Business and Supporting Unit is responsible for the ownership and management of their respective risks. They are responsible for managing the risks and maintaining effective internal controls on a day-to-day basis. Each Business and Supporting Unit naturally serves as the 1st Line of Defence because controls are specifically incorporated into their processes and systems to manage risk exposures. In addition, adequate managerial and supervisory controls are put in place to ensure compliance and highlight any deficiencies

2nd Line of Defence

Risk Management & Sustainability Committee (RMSC) is responsible for establishing the ERM framework, a structured and consistent risk management process and approach to be applied systematically across the Group, and to ensure that the ERM framework is operational and embedded throughout the Group. As part of monitoring and reporting processes, the RMSC helps to ensure that risks are being effectively managed by the 1st Line of Defence and adequate risk-related information is reported throughout the Group.

3rd Line of Defence

The Assurance & Governance Department (AGD) provides independent assurance to the Board and Senior Management on the effectiveness of governance, risk management and internal controls, including the manner in which the 1st and 2nd Lines of Defence achieve the Group's objectives.

KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The responsibility for reviewing the adequacy and integrity of the risk management and internal control system has been delegated by the Board to the Audit Committee.

On a periodic basis, the Audit Committee assesses the adequacy and integrity of the risk management and internal control system through independent reviews conducted and reports it received from the Internal Auditors, the External Auditors and Management. Significant risk management and internal control matters (if any) will be brought to the attention of the Audit Committee by the Internal Auditors and the Management.

The Audit Committee then in turn reports such matters to the Board, if the Audit Committee deems such matters warrant the Board's attention.

Statement on Risk Management & Internal Control (CONT'D)

KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (CONT'D)

Key elements of the Group's risk management and internal control system that have been established to facilitate the proper conduct of the Group's businesses are described below:

1. CONTROL ENVIRONMENT

i. Policies and Procedures

Clearly defined policies and procedures are in place and periodically reviewed to support the Group's business activities as the Group continues to grow.

ii. Operations Review and Monitoring

Operations of the Group are constantly monitored with up-to-date reports being presented by the Management. Variances are analysed, and corrective actions taken where necessary. Detailed reports on performance review with steps to be taken are presented to Executive Directors periodically.

The Executive Directors, Project Director, Contract Director, General Managers and Deputy General Manager regularly visit the Group's business units. During the visits, the respective head of business unit reports on progress and performance, followed with discussion to resolve the business unit's key operational and management issues, if any.

iii. Organisation Structure and Authorisation Procedures

The Group maintains a formal organisational structure with clear lines of reporting to the Board, Committees and Senior Management with defined roles and responsibilities, authority limits, review and approval procedures and proper segregation of duties which supports the maintenance of a strong control environment.

Specific responsibilities have been delegated to relevant Committees authorised to examine matters within their scope and report to the Executive Chairman & Managing Director and Executive Directors with their recommendations.

iv. Human Capital Policy

Comprehensive and rigorous guidelines on the employment, performance appraisal, human capital training and retention initiatives are in place, to build and maintain a team of employees who are equipped with the necessary knowledge, skills and abilities to carry out their responsibilities effectively.

Emphasis is being placed on enhancing the skills and competency of employees through a process of continuous learning. Employees' competencies are assessed annually through the annual appraisal system. Skill development and training requirements are highlighted to Heads of Departments and business units for approval and implementation.

v. Management Style

The Board entrusted the responsibility of the day-to-day management of the Group's operation to the Executive Chairman, Managing Director, Executive Directors and key management team; all of whom are highly experienced individuals with proven performance record.

The Executive Chairman, Managing Director and management adopt a "hands on" approach in managing the businesses of the Group and steering the Group towards the strategic direction set by the Board. This enables timely and effective identification and resolution of any significant issue and serve as an effective internal control feature.

Statement on Risk Management & Internal Control (CONT'D)

KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (CONT'D)

1. CONTROL ENVIRONMENT (CONT'D)

vi. Other Key Elements of Internal Control

Other key elements of internal control established by the Board include amongst others:

- Centralised functions of finance, treasury administration, human resource, agronomic, marketing and bulk purchases to ensure that uniform policies and procedures are implemented throughout the Group.
- Regular site visits to the operations within the Group by the Senior Management.
- The Finance Department monitors the activities and performance of the subsidiaries through the monthly management accounts and ensures control accounts are reconciled with the subsidiaries' records.
- Adequate insurance and physical safeguarding of major assets are in place to protect the Group from potential financial losses in the event of any unforeseen circumstances (such as fire damage, theft etc.).
- Proposals for major capital expenditure of the Group are reviewed and approved by the Executive Directors.
- Regular Board and management meetings to assess performance of business units.
- All recurrent related party transactions are dealt with in accordance with the MMLR. The Audit Committee and the Board review the recurrent related party transactions at the respective meetings of the Audit Committee and the Board.
- Reporting mechanism whereby Executive Directors receive monthly milling and plantation performance summaries and statistic with commentaries.
- Budgetary controls for its projects are set and monitored.
- Training and development programs are identified and scheduled for employees to acquire the necessary knowledge and competency to meet their performance and job expectations.

vii. Code of Ethics and Conduct and other related Policies

Among the policies and procedures established and embedded in the CG Manual to assist the Board in maintaining a sound internal control system are:

- The Code of Ethics and Conduct: The code defines acceptable behaviour for staff in dealing with key stakeholders and is made available to all staff.
- Corporate Integrity Policy – Anti Fraud Policy: The policy sets out the framework for the prevention, detection and management of any fraudulent act within the Group (including any irregularity, or suspected irregularity, involving employees, shareholders, consultants, vendors, contractors, and external parties).
- Whistle-Blowing Policy: The policy is formulated to provide a channel for employees to report in good faith and in confidence, without fear of reprisals, any concerns about possible improprieties within the Group. Allegations of improprieties reported via the whistle-blowing channel are appropriately followed up upon and the outcome(s) reported to the Audit Committee.
- Employee Handbook: The Group has in place the Employee Handbook to set the ethical standards for all employees and directors in their dealings with fellow employees, customers, shareholders, suppliers, authorities and the community.

viii. Anti-Bribery and Anti-Corruption Policy

With the enforcement of Section 17A of the Malaysian Anti-Corruption Commission Act 2007, it has been established that a commercial organisation has a criminal liability ("Corporate Liability") for the corrupt activities of its employees and/or persons associated with the commercial organisation where such corrupt activities are carried out for the commercial organisation's benefits or advantages. In connection to this, the Group adopts a zero-tolerance policy against all forms of bribery and corruption.

Statement on Risk Management & Internal Control (CONT'D)

KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (CONT'D)

1. CONTROL ENVIRONMENT (CONT'D)

viii. Anti-Bribery and Anti-Corruption Policy (cont'd)

The Group is committed to conduct its businesses professionally, fairly and with integrity and transparency in compliance with all applicable anti-bribery and corruption laws. Any breach of the Anti-Bribery and Corruption Policy or applicable local law could result in disciplinary action being taken and ultimately could result in dismissal and/or termination of the affected business dealing. Further legal action may also be taken as a result of non-compliance and/or misconduct.

The Group's policies and procedures are periodically reviewed and updated by the Management to factor in any changes in business, operational, statutory and regulatory requirements.

2. CONTROL ACTIVITIES

The Group ensures that there are adequate financial and operational policies and procedures to govern the operations of the Group.

Annual business plans and operating budgets are prepared by each of its Business and/or the subsidiaries, which are discussed through monthly meetings and approved by the Executive Director.

Actual performance and significant variances against budget are monitored on an on-going basis.

The Group adopts several approaches to its control activities to ensure that a holistic coverage of threats and mitigation strategies are carried out accordingly. The approaches are summarised below:

- Directive Controls are designed to establish desired outcomes.
- Preventive Controls are designed to discourage errors or irregularities from occurring.
- Detective Controls are designed to find errors or irregularities after they have occurred.
- Corrective Controls are intended to limit the extent of any damage caused by an incident.
- Risk Transfer strategy may be considered to enable transferring of identified risks to a third party in order to reduce the impact. The Management may choose to transfer all or part of a certain risk to other parties via:-
 - (i) Transferring an entire business process to another party as is the case with sub-contracting and outsourcing arrangements;
 - (ii) Sharing the business process with another party as is the case with partnerships and joint venture arrangements; and
 - (iii) Retaining the process and transferring the legal and financial risks as is the case with insurance arrangements and the use of certain treasury/financial products.
- Risk Elimination strategy may be considered when a risk is deemed to be reducible to an acceptable level if the activity is terminated. The Group may choose this route for risks that could have major or catastrophic impact on its businesses.
- Risk Acceptance strategy may be considered when the residual risk is low. Factors to consider for risks of such nature would be:-
 - (i) Adequacy of current controls;
 - (ii) Quality and quantity of information on the controls;
 - (iii) Likelihood and consequences of the risk occurring; and
 - (iv) The cost of additional controls.

To understand the extent to which the likelihood and impact of a risk occurring is being mitigated, the full set of controls currently in place is documented and assessed for effectiveness in terms of design and operating effectiveness.

Where controls are operated by an external third party, discussions and assessments are performed to ensure that appropriate reviews are conducted.

Statement on Risk Management & Internal Control (CONT'D)

KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (CONT'D)

Internal Audit Function

The roles, responsibilities and activities of the Internal Audit function are described and detailed on pages 140 to 141 under the Report of the Audit Committee in this Annual Report. There were neither major weaknesses in the system identified during the year, nor have any of the reported weaknesses resulted in material losses or contingencies requiring disclosure in the Annual Report. Those areas of non-compliance with the procedures and policies and those which require improvements as highlighted by the Internal Auditors during the period are being addressed.

INFORMATION AND COMMUNICATION PROCESSES

Communication and consultation with internal as well as external stakeholders are important elements of the risk management process. Effective communication is essential to ensure that all stakeholders are well-informed on any decisions or actions taken, including the justifications for such actions.

The Management and the Board receive timely, relevant and reliable reports which are reviewed on a regular basis:

- The Group has put in place an information system that captures, compiles, analyses and reports relevant data, which enables management to make sound business decisions in a timely manner.
- The Group takes a serious view of its legal and ethical responsibilities. It has taken steps to ensure compliance with internal controls, as well as relevant laws and regulations that govern the business and operations of the Group.
- A Whistleblowing Policy provides clear and confidential channels for communication and feedback. It outlines the Group's commitment to encourage its staff and stakeholders to raise genuine concerns about possible improprieties relating to financial reporting, compliance or suspected violations of the Group's Code of Conduct Ethics and Conduct, and to disclose any improper conduct or other malpractices within the Group in an appropriate way.
- The Group practices a zero-tolerance approach against all forms of bribery and corruption. In line with this, the Group has introduced its Anti-Bribery and Anti - Corruption Policy which comprises a set of key policies, procedures, standards and guidelines to address the bribery and corruption risks. The policy is designed to help recognise potential bribery and corruption, and to serve as a guide for acceptable and unacceptable behaviours regarding bribery and corruption.

MONITORING AND REPORTING

The Group's Policies and Procedures are reviewed and revised periodically to meet changing business environment needs as well as complying with regulatory requirements.

Board meetings are held at least once in a quarter with a formal agenda on matters for discussion. In addition, regular management and operation meetings are conducted by Executive Leadership, comprising the Group Managing Director, Executive Directors and Heads of Business Units.

The Head of Assurance and Governance (ANG) reports to the AC and is guided by an Internal Audit Charter that is approved by the Board. The ANG function is responsible for monitoring compliance with the Group's Policies and Procedures, operational needs and regulatory requirements, which provides independent assurance on the effectiveness of risk management and internal control systems through regular audits and continuous assessments.

The Group's annual internal audit plan is reviewed and approved by the Audit Committee and subsequently endorsed by the Board. The execution of the planned internal audits' achievement is monitored every quarter. Audit findings are presented to the AC every quarter for their review and deliberation before it is tabled at Board meetings.

Significant audit findings and recommendations for improvements are highlighted to senior management and the AC, with periodic follow-up reviews of the implementation of corrective action plans.

Statement on Risk Management & Internal Control (CONT'D)

RISK MANAGEMENT FRAMEWORK

The Group adopts an ERM framework which is consistent with the Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers.

The Group's ERM framework was last revised and approved by the Board on 17 May 2018. Since then, the Assurance and Governance Department has reviewed the framework periodically to ensure its continued relevance and effectiveness. As at the date of this Statement, the ERM framework remains aligned with the Group's evolving needs and objectives.

The ERM framework is a structured and disciplined approach aligning strategy, process, people, technology and knowledge with the purpose of evaluating and managing the risks the Group faces as it seeks to create value. In essence, every employee is an integral part of the Group's risk management framework. Every employee from the on-site staff to the Executive Directors plays an important role in the Group's ERM framework.

The Group is committed to promoting an organisational culture where risk management is embedded in all activities and business processes. A good understanding of the strategic and operational risks as well as opportunities, also allows the management to make informed decisions in order to achieve organisational and strategic goals.

KEY RISKS AND MITIGATION

To manage and minimise our risks, we identify them, rate their potential severity, and put in place actions as well as mitigating plans. In no order of priority, we summarise below the Group's key profile risk

Risk Category	Description & Impact	Mitigation Measures
<p>Governance and Compliance Risk: Evolving regulatory landscape on sustainability</p>	<p>At the national and global levels, regulators continue to push forward with enforcing new and/or revised rules and guidance to deliver their respective sustainability agenda. Whilst, the Group recognises the importance of the issue and is taking the necessary actions to set its sustainability priorities and execute its commitments; it is also facing a heightened risk of compliance especially in terms of its legal, financial and criminal exposure if any of the regulations are not followed.</p>	<p>In response to the evolving regulatory landscape on sustainability, the Group has:</p> <ul style="list-style-type: none"> Established and mandated its RMSC to oversee and manage the Group's sustainability goals, priorities, enforcement and delivery; Formalised the Human Capital Policies, which enforces a "No Child Labour" practice, formation of the Gender Committee and Joint Consultative Committee; Formalised proper channels for its employees and business associates to report on any violation of policies and procedures of the Group; Promote awareness amongst its employees and business associates of the Group's Anti-Bribery and Anti-Corruption Policy and other sustainability-related policies. <p>On the operational front, the Group is continuously exploring and assessing investment in new plant and machineries to reduce the impact of milling operations on the environment.</p>

Statement on Risk Management & Internal Control (CONT'D)

KEY RISKS AND MITIGATION (CONT'D)

Risk Category	Description & Impact	Mitigation Measures
<p>Operational Risk: Fluctuation of operational costs, with upside risk</p>	<p>The Group's operational cost is primarily made up of its plantation and milling operation costs. The major items include, amongst others, cost of labour, fertilizer, transportation, plant maintenance, etc.; of which prices are highly dependent on external factors. During the financial year, the Group has experienced an overall escalation in cost, brought about by labour shortages, fluctuation in the Ringgit, and overall inflationary pressures on its input materials. Moving forward, the risk of cost escalation remains upward tilted, given the rising global trade barriers and geopolitical tensions in the Middle East which may lead to supply chain disruptions.</p>	<p>The Group manages cost with the practice of budgeting and monitoring of divergence of actual cost vs budget over time. Any major divergence of cost will be highlighted and mitigated, where possible.</p> <p>In addition, measures to improve the plantation and milling divisions' productivity are part of our cost management focus. These measures, include the introduction of mechanization in selected operational areas, automation of certain processes in the mills, utilization of better tools and better management of labour.</p>
<p>Operational Risk: Inability to achieve optimum oil yield per hectare due to ageing palm tree profile</p>	<p>The factors that influence the yield of Fresh Fruit Bunches ("FFB") include the age and maturity of oil palm trees. Their prime productive period is at year 10 through 20 after planting. Thus, it is advisable for plantation companies to consider replanting after the palm age attained above 25 years to ensure continuous long-term efficient production and sustainable yields.</p> <p>However, newly planted oil palms do not yield FFB until they reach harvestable age, which is about two and half years after planting, and the yield of young trees are significantly lower than that of mature trees. Generally, our replanting programme has a short to medium term impact on the Group's FFB production which in turn may affect our revenue and margins.</p>	<p>We structured our replanting programme on a rolling basis to minimise the effect on FFB production in any given year.</p> <p>Our replanting programme is carried out after taking into consideration the existing age profile of our palms and the impact on future FFB production, as well as the availability of seed stockpile. Implementation of the programme will be monitored and recalibrated, if necessary, until the overall age profile of our plantation is fully optimized.</p>

KIM LOONG RESOURCES BERHAD

Statement on Risk Management & Internal Control (CONT'D)

KEY RISKS AND MITIGATION (CONT'D)

Risk Category	Description & Impact	Mitigation Measures
<p>Foreign Currency and Commodity Price Risks: Fluctuation of local and international commodity prices affecting prices of FFB, CPO and other palm oil milling products</p>	<p>The Group's results are highly dependent on the prices of FFB and CPO. These commodity prices are in turn driven by various regional and global factors such as the volatility of foreign exchange rates, changing regulatory landscape in major palm oil exporting and importing countries, prices of other competing edible oils (such as soybean) and impact of climate change.</p>	<p>The Management constantly monitors the movement in palm oil commodity prices and may take steps to mitigate unfavourable price movement to reduce the impact on the Group's financial performance. To achieve this, the Group may use derivatives such as Futures and Swap contract to hedge against cash flow risks.</p>
<p>Environmental Risk: Extreme weather conditions impacting operation</p>	<p>Extreme climate occurrences such as prolonged rising temperature, droughts and heavy rainfall causing floods are some of the many climate-induced challenges that may directly impact our estates' productivity, leading to reduced yields and/or escalation in our production cost.</p>	<p>As extreme climate occurrences are becoming a norm, we have adopted an adaptive approach to deal with the challenges that these climate changes pose. We have installed appropriate irrigation mechanism within our estate to regulate water supply and have progressively constructed new ponds and deepened existing ponds to meet the requirements of our FFB processing mills. Sufficient financial provision will be set aside for the maintenance of these infrastructures. Our estates are also exploring new method to mitigate the impact of drought with tube-well systems.</p>
<p>Human Resource and Labour Shortage Risks: High dependency on foreign labour</p>	<p>The Indonesian Government's temporary freeze on the placement of Indonesian workers to Malaysia in 2021 had previously disrupted the Group's planned intake of foreign labour. While the restriction has since been lifted and labour inflows have progressively normalised, the Group continues to face challenges in achieving an optimal and sustainable workforce level across its estates.</p> <p>The plantation sector remains structurally dependent on foreign labour, particularly from Indonesia, and is therefore exposed to evolving labour policies in both Malaysia and source countries. In addition, increasing regulatory requirements, heightened scrutiny on labour practices and workers' welfare, as well as competition for labour from other sectors, continue to pose ongoing challenges to labour availability, cost and compliance.</p>	<p>To alleviate the labour shortage, we are:</p> <ul style="list-style-type: none"> • Offering incentives to retain existing workers and to attract new workers. • Enhancing housing and other facilities and benefits. • Improving communications with the local authorities and recruiting agents to expedite recruitment process. • Accelerating mechanisation, particularly for activities like collecting fresh fruit bunches (FFB).

Statement on Risk Management & Internal Control (CONT'D)

KEY RISKS AND MITIGATION (CONT'D)

Risk Category	Description & Impact	Mitigation Measures
Health & Safety Risks: Hazard	<p>Occurrence of any injuries or fatalities at work place may adversely impact employees' morale, health and productivity. In addition, such occurrences may also result in fines and stricter scrutiny from the relevant occupational health and safety authorities on the Group's operations.</p>	<p>The Group subscribes to a safety-first approach in all work-related activities in our estates and mills, particularly for activities involving the preparation & transportation of chemicals, spraying & manuring, and machinery operation & repairs. We conduct regular reviews/audits of processes to ensure that safe working procedures are practiced and personal protective equipments are provided and used. We also provide safety awareness training for our workers and supply chain partners to inculcate a safety-first approach and share any health & safety learnings from sites.</p> <p>Emphasis is also placed on health and safety features of our workers' living quarters. Measures will be taken to enhance the workers' living environment and promote the practice of healthy and safe habits.</p>
Organisation Capability Risk: Challenges in attracting, obtaining and retaining talent	<p>Having a pool of talent with the right skill-sets and competency is necessary to ensure continuous growth of the Group. However, the oil palm industry has been facing challenges in attracting, obtaining and retaining talent due to the negative connotation of it offering "3D" jobs (dirty, dangerous and difficult).</p>	<p>The Group is continuously investing in people development by facilitating various capabilities, technical and leadership development programmes, to equip employees with critical skills and attributes.</p> <p>The Group is also exploring opportunities to mechanise select work processes and upskill its workers to provide a better job outlook.</p>
Competition Risk: Competition for FFB supply	<p>From time to time the Group faces challenges in sourcing external FFB supplies in the vicinity of its mills. Failure to source sufficient FFB may result in the mills not operating at optimum level.</p>	<p>In order to counter the risk, we put in place procedures to:</p> <ul style="list-style-type: none"> • monitor suppliers and competitors' strategies to better prepare for any shift in FFB supply and demand trends; • build rapport with suppliers to keep abreast of any potential change in supply chain to stay ahead of competitors; • continuously assess and re-align strategies to remain competitive.

Statement on Risk Management & Internal Control (CONT'D)

CONFIDENTIAL REPORTING

The Group's Whistleblowing Policy enables staff to raise concerns about possible improprieties in financial and other matters and to do so in confidence without fear of reprisal. Details of the policy are set out on the Company's website at www.kimloong.com.my.

The Audit Committee receives reports on whistleblowing incidents and remains satisfied that the procedures in place are satisfactory to enable independent investigation and follow up action of all matters reported. No major issues have been reported in financial year 2026 (major issues being defined for this purpose as matters having a financial impact greater than RM10,000).

ASSURANCE PROVIDED BY THE MANAGING DIRECTOR AND FINANCE DIRECTOR

The Group's risk management and internal control systems, covering financial, operational, compliance and information technology matters are in place and functioning to manage risks appropriately during the financial year under review.

This assurance was derived from the Group's established risk management framework, active Board oversight, ongoing management monitoring and review processes undertaken in collaboration with the independent assurance provided by the ANG Department, which collectively form an integral part of the Group's governance and control ecosystem. With respect to the identified gaps and areas for improvement, appropriate remedial actions have been implemented or are in the process of being implemented.

Management acknowledges that any system of risk management and internal control is subject to inherent limitations and is designed to manage, rather than eliminate, the risk of failure to achieve the Group's business objectives.

In line with the Guidelines, the Managing Director and the Finance Director have provided assurance to the Board that the Group's risk management and internal control systems have been operated adequately and effectively, in all material aspects, to meet the Group's business objectives during the financial year under review.

REVIEW OF STATEMENT BY EXTERNAL AUDITORS

Pursuant to Paragraph 15.23 of the MMLR, the External Auditors have reviewed this Statement on Risk Management & Internal Control for inclusion in the Annual Report for the financial year ended 31 January 2026.

The External Auditors have reviewed this Statement on Risk Management & Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG 3"), Guidance for Auditors on Engagements to Report on the Statement on Risk Management & Internal Control included in the Governance & Financial Report issued by the Malaysian Institute of Accountants (MIA) for inclusion in the Governance & Financial Report of the Group for the year ended 31 January 2026, and reported to the Board that nothing has come to their attention that causes them to believe that the statement intended to be included in the Report of the Group, in all material aspects:

- a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers, or
- b) is factually inaccurate.

AAPG 3 does not require the External Auditors to consider whether the Directors' Statement on Risk Management & Internal Control 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 of Directors and Management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in this Report will, in fact, remedy the problems.

Statement on Risk Management & Internal Control (CONT'D)

CONCLUSION

The Board is of the view that the system of internal control in place throughout the year under review is sound and sufficient to safeguard the shareholders' investment, the interests of customers, regulators, employees and the Group and to facilitate the expansion of its operations.

The Board recognises that the current geopolitical landscape introduces heightened uncertainty and risk. The Group will continue to enhance its risk management practices and internal control systems to ensure resilience and sustainability of its operations. While the system of risk management and internal control is designed to manage rather than eliminate risks, it provides reasonable, but not absolute, assurance against material misstatement or loss.

There were no material losses or fraud during the current financial year as a result of internal control failures and the Board and Management are continuously taking measures to improve and strengthen the internal control framework and environment of the Group.

This Statement is made in accordance with a resolution of the Board of Directors dated 15 May 2026.

