

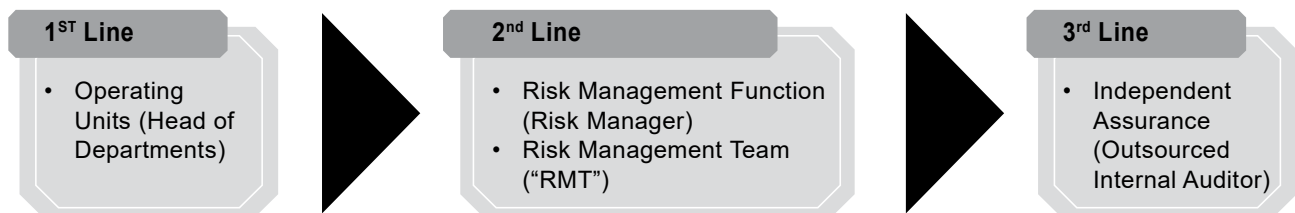
## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Pursuant to Paragraph 15.26(b) of the Listing Requirements of Bursa Malaysia, sufficient and meaningful information needed by shareholders to make an informed assessment of the main features and adequacy of the Company's risk management and internal control system have been included in this statement by the Board as follows: -

### Features of our Risk Management and Internal Control System

1. Our Enterprise Risk Management System is guided by the Principles of ISO 31000 Standards, an objective-centric based approach that ties and links the risk to the Group's Business Strategies and Objectives.
2. Our Risk Appetite and Tolerance Level reviewed and approved by the Board, keeps risk level within the appetite of the Group whereby breaches of any limit level are made known to the Board based on the urgency set.
3. Our reporting structure clearly sets out the reporting line of the Risk Management Functions from the Subsidiary to the Group Level and this ensures a clear understanding of the reporting line for Risk to be escalated.
4. Our set Risk Reporting Timeline prompts personnels responsible for risk, to conduct review and monitor their risk reporting responsibilities.
5. Our Risk Management Governance is based on a "Three Lines of Defense" at the Subsidiary level and also at the Group level which provides a simple and effective way of enhancing communications on risk management by clarified essential roles as follows: -

### At the Group Level



**The 1st Line of Defense** is the Operating Units where the Head of Departments ("HOD") are responsible for managing risks and internal controls systems within their respective functions on a day-to-day basis. *(To assist the HODs, personnel within their departments are identified and appointed as Risk Officers to identify, assess and manage the departments' risk register).*

**The 2nd Line of Defense** is the Management Oversight where the risk management function assumes overall responsibility for the implementation of the Framework and its continued application in respective entity (s). The Chief Executive Officer ("CEO") provides leadership and direction to Management via Risk Management Team ("RMT"), and ensures alignment of the Group's practices based on the risk management policy. The Board maintains its oversight via the Risk Management Committee ("RMC") whom the RMT reports to on a quarterly basis or when needed.

**The 3rd Line of Defense** is our Independent Assurance (currently BDO). Our Internal Audit Function which is outsourced provides the RMC with reasonable independent assurance on the effectiveness and efficiency of the Risk Management Framework that is part of the Group's internal control system to manage risks to achieve the Group's business objectives. The Board, through the RMC provides governance, guidance and oversight to Management's risk activities in managing key risk areas and to ensure that risk management processes are in place and functioning effectively.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (Cont'd)

### Features of our Risk Management and Internal Control System (Cont'd)

#### At Company/Subsidiary Level



**The 1st Line of Defense** is the Operating Units where the HODs of the Subsidiaries are responsible for managing risks and internal controls systems within their respective functions on a day-to-day basis. To assist the HODs, personnel within their departments are identified and appointed as Risk Officers to identify, assess and manage all departments' risk register.

**The 2nd Line of Defense** is the Management Oversight where the Operations Manager of each subsidiary assumes overall responsibility for the implementation of the Risk Management Framework and internal control system together with all the related policies and plans at the subsidiary level. Head of Operations reports to RMT on a quarterly basis or when needed.

**The 3rd Line of Defense** is at Group Level where the Risk Management Team and the Risk Manager assumes overall responsibility to ensure alignment of the Group's practices based on the risk management policy amongst the companies within the Group.

6. Subsequent to the Risk Management Training & Workshop conducted for the Group which started in August 2023, the Consultant, Q3 Management Solutions Sdn. Bhd. (Q3Solutions) had, on 1st May 2024, been appointed as the Group's Enterprise Risk Management (ERM) advisor for a period of one year.

This engagement was to enhanced the Group's risk management practices by streamlining processes, benchmarking policies against standardized best practices, and fostering sustainability through structured approaches.

7. The Advisory Engagement consist of the following: -
  - a) Physical site visit to the companies involved for discussion or to meet up with the respective Risk Management Teams;
  - b) Streamlining of Reporting of Risk Register for business / operations units and subsidiaries to the Group's Risk Management Function;
  - c) Online meetings or discussion on Risk Management matters, and
  - d) Unlimited inquiries or assistance via Telephone Call or WhatsApp for Risk Management Team of the Group.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (Cont'd)

### Internal Compliance Audit Activities

Our Internal Compliance Team assist in coordinating with Internal Auditors during audit activities and during the financial year 2024 our In- house Compliance Audit Team carried out compliance audit within the Group on a planned basis as follow: -

- a) Governance - On Validity of Permits / Licenses / Certificates in online monitoring system;
- b) Compliance - On Verification and Confirmation of Sustainability carbon emission figures for 2023 Annual Report;
- c) Risk Audit - On Fire Mitigation Plans for critical areas in production;
- d) Social Audit on Vendors compliance to Force Labor;
- e) Internal Controls for Sales and Shipping: -
  - Sales inquiry, Quotation and Sales order processing;
  - Production planning procedure;
  - Shipping Control;
  - Customer registration, assessment, handling complaint and measuring customer satisfaction; and
  - Compliance to competition law.
- f) Internal Control System on Management of Warehouse:-
  - Delivery, handling and storage of Finish Goods including handling slow moving and obsolete finish goods; and
  - Procedure on Stock take and inventory count.

Based on the compliance audit carried out in these areas, findings were presented to Head of Operations for review and enhancement to the relevant Policies and Procedure. Corrective actions were proposed to be carried out in these areas to close the gaps with a timeframe for completion.

### Internal Audit Activities

Based on the internal audit plans for financial year 2024, there were 3 (three) internal audits performed in the Group by our Internal Auditors, BDO Governance Advisory Sdn. Bhd. (BDO).

The first cycle of the internal control review for the financial year commenced during the 1Q2024 and was presented to the Board via the Risk Management Committee in May 2024. The internal control was to: -

1. Review on the Information Technology General Controls with the following objectives:
  - To assess the adequacy and test the integrity of the system of internal controls;
  - To assess compliance with policies and procedures and recommended best practices; and
  - To identify any potential areas for improvement in the effectiveness and efficiency of the processes.

The Scope of review included:

- Compliance with IT Standard Operating Procedures;
- IT security and access controls over critical systems/data;
- Database backup and recovery;
- System changes management (including user acceptance test); and
- IT disaster recovery and business continuity planning.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (Cont'd)

### Internal Audits Activities (Cont'd)

2. The second cycle of the internal control review commenced in the 2Q2024 and was presented to the Board via the Risk Management Committee in November 2024.

The Internal Control Review was on the Foreign Workers Management of the Group with the following objectives:

- To assess the adequacy and test the integrity of the system of internal controls;
- To assess compliance with policies and procedures and recommended best practices; and
- To identify any potential areas for improvement in the effectiveness and efficiency of the processes.

The Scope of review included: -

- Adequacy of SOP in line with regulatory requirements;
- Recruitment and onboarding due diligence procedures for foreign workers;
- Foreign workers salary and compensation including working hours;
- Communication of Whistleblowing Policy and/or grievance reporting to foreign workers;
- Foreign workers agency/subcontractors' management; and
- Selected interview sessions with foreign workers.

3. The third cycle of the internal control review commenced in the 3Q2024 and was presented to the Board via the Risk Management Committee in February 2025. The internal control review was specifically carried out to obtain an Independent Review Report for the Directors of Evergreen Fibreboard Berhad for selected sustainability information for the year ended 31 December 2024 to be published in the Sustainability Statement 2024 of the Company.

Material Matters which were reviewed for disclosures are as follows: -

Energy Consumption – Solar and Electricity Consumption;  
Diesel Consumption - Stationary and Mobile Combustion;  
Petrol - Mobile Combustion;  
Biomass - Purchased and Self-Generated;  
Water Consumption - Local Supply;  
Water Consumption – River;  
Water Consumption - Ground (Well or Underground);  
Water Consumption- Water Treatment Plant;  
Water Consumption - Rainwater Catchment;  
Waste Management - Disposal (Hazardous);  
Waste Management – Disposal (Non-Hazardous);  
Waste Management – Recycle; and  
Occupational Health and Safety -Major and Minor accidents, Number and Fatalities.

4. After each review carried out, BDO compiles its findings with recommendations of improvements to be put in place with timeline given for its completion and presented to the Audit Committee of the Board.
5. The Audit Committee noted the gaps that was reported including the recommendations made by BDO on the weaknesses that was identified in the areas reviewed including advising Management of immediate action that required to be taken to rectify those weaknesses on all reviews carried out and completed during the financial year ended 2024.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (Cont'd)

### Review by the Board

The Board reviewed the Audit Committee's report for each audit cycle's findings by the Internal Auditors and is aware of the additional controls that was recommended to be put in place including the assurance given by Management that the necessary actions recommended will be carried out within the timeline given.

The Board have received assurance from the Group Chief Executive Officer/President and the Group Chief Financial Officer in the board meeting, noting that the Group's Risk Management and Internal Control System is in line with the Group's policies and practices in all material aspects.

The Board also reviewed the Group's Risk Management Framework and Internal Control System through the Audit Committee and the internal audit report from the out-sourced internal auditors (BDO). Together with the assurance from the Group Chief Executive Officer/President and the Group Chief Financial Officer, the Board is assured on the adequacy and integrity of the Group's Internal Control System.

### Weaknesses in the Internal Controls that resulted in Material Losses

During the financial year 2024, there were no major non-compliance issues in the Group except for some minor weaknesses which have been fully addressed by enhancement to some policies and procedures.

There was no failure in our System of Internal Control that had resulted in any material losses or omission within the Group. Nevertheless, the BOD together with Management will continuously take necessary measures to further enhance the Group's Internal Control System.

### Review by External Auditors

Our External Auditors has reviewed this Statement on Risk Management and Internal Control. The review was performed in accordance with the Audit and Assurance Practice Guide 3 ("AAPG 3") issued by the Malaysian Institute of Accountants where the AAPG 3 does not require the external auditor to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system.

*The Board of Directors approved this Statement on 10 April 2025.*