

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## 1. Introduction

This Statement on Risk Management and Internal Control (“SORMIC”) is made pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and is guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers. The latest guidance reflects internationally recognised risk management and internal control frameworks, including those developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), the International Organization for Standardization (ISO) and The Institute of Internal Auditors (IIA). It also reinforces the importance of strong board oversight, risk appetite governance and the management of emerging risks in an evolving business environment.

This statement outlines the nature and state of the Group’s risk management and internal control system for the financial year ended 31 December 2025.

## 2. Board Responsibility

The Board acknowledges its overall responsibility for the Group’s system of risk management and internal control. It sets risk management policies and defines the Group’s risk appetite, ensuring that the system aligns with the latest guidance reflecting internationally recognised risk management and internal control frameworks, including those developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), the International Organization for Standardization (ISO) and The Institute of Internal Auditors (IIA).

While delegating implementation to Management and relevant Board Committees, the Board remains accountable for oversight and regularly receives reports from internal and external auditors. The Board obtained written assurance from the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) that the Group’s risk management and internal control system is operating adequately and effectively. The system is designed to provide reasonable, not absolute, assurance, and is reviewed continuously.

## 3. Risk Governance Structure

The Group has adopted the Three Lines Defense Model and established a governance structure to ensure clear oversight and accountability for risk management and internal control across its operations in Malaysia, Thailand and Indonesia. Key components include:

- **Board of Directors** – Provides strategic oversight, approves risk appetite and tolerances, monitors emerging risks (including ESG, climate and cyber), ensures integration of risk management with sustainability, and reviews adequacy and effectiveness of the system;
- **Board Risk Management Committee** – Oversees the enterprise risk management framework, recommends risk appetite thresholds and monitors key risk indicators;
- **Audit Committee** – Assists the Board in reviewing the adequacy and effectiveness of the Risk management and internal control system, reviews internal and external audit plans and findings, and ensures that significant risks are properly addressed; and
- **External Assurance Providers** – External auditors review the SORMIC statement and provide limited assurance in accordance with listing requirements.

### *Lines of Defense: -*

- **Line 3 - Internal Audit Function** – Provides independent and objective assurance on the adequacy and effectiveness of the Group’s risk management, internal control and governance processes, following a risk-based audit plan and reporting directly to the Audit Committee;
- **Line 2 - Senior Management / Management Risk Committee** – Implements Board-approved policies, manages risks within the approved risk appetite, maintains risk registers and key risk indicators (KRIs), and escalates breaches or emerging risks to the Board and its Committees; and
- **Line 1** – Operation Managers/Director in each Business Units and Head of Department 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 and registers.

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### 4. Risk Management Framework

Risk management is embedded in the Group's key processes and decision-making activities. The framework reflects internationally recognised risk management and internal control frameworks developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), the International Organization for Standardization (ISO) and The Institute of Internal Auditors (IIA), that serves to identify, assess, manage and monitor risks that may affect the achievement of strategic, operational, financial, compliance and sustainability objectives. The framework covers traditional risks as well as emerging risks such as environment, social, governance, climate, artificial intelligence and cyber security. Key elements include:

- **Risk identification and assessment** – Ongoing identification and assessment of risks at Group, business unit and functional levels across strategic, operational, financial, compliance, environmental, social and governance, health and safety, technology and other material risk categories;
- **Risk appetite and tolerance** – A Board-approved risk appetite statement articulates the level of risk the Group is willing to accept. Risk appetite is dynamic and measurable, supported by key risk indicators and thresholds; the Board requires evidence of how risk appetite is defined, monitored and cascaded throughout the organization;
- **Risk response and mitigation** – Development and implementation of risk mitigation plans, controls and action items with clearly assigned risk owners and timelines. Scenario analysis and stress testing are performed for emerging risks; and
- **Monitoring and reporting** – Regular monitoring of key risks and controls through risk registers, dashboards and management reports. Breaches of risk appetite thresholds and significant emerging risks are escalated to the Board and relevant Committees.

### 5. Key Features of the Internal Control System

The Group's internal control system, is designed to provide reasonable assurance regarding the achievement of objectives in the following areas:

- **Effectiveness and efficiency of operations** – Documented policies, procedures and standard operating procedures for key business processes (e.g., procurement, production, inventory, sales, marketing, finance, human resource, information technology and health, safety and environment). A defined organisational structure with segregation of duties and authority limits ensures accountability and control. Business continuity and disaster recovery plans are in place, incorporating ESG and sustainability considerations;
- **Reliability of financial and management reporting** – Comprehensive budgeting, forecasting and performance monitoring processes, supported by periodic variance analysis and corrective actions. Monthly management accounts and consolidated financial reports are prepared and reviewed by Management, with material judgments and estimates reviewed by the Audit Committee;
- **Compliance with applicable laws, regulations and policies** – Procedures to monitor compliance with laws, regulations, listing requirements, industry standards and sustainability reporting obligations across all jurisdictions;
- **Information technology and cybersecurity controls** – Information technology general controls (access management, password policies, data backup and recovery, system change control) and cybersecurity initiatives to protect against cyber threats and technology disruptions. Emerging technologies are assessed for risks and integrated into the control environment;
- **Health, Safety and environmental controls** – Controls and procedures related to occupational health and safety, environmental management, incident reporting, root cause analysis and emergency response, aligned with the Group's sustainability objectives; and
- **Culture and training** – Anti-Corruption/Bribery training, Risk awareness, compliance and sustainability training are provided to employees to embed a strong risk and control culture.

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### 6. Internal Audit Function

The internal audit (IA) function provides independent and objective assurance to the Audit Committee and the Board on the adequacy and effectiveness of the Group's risk management, internal control and governance processes.

The Group's internal audit function is outsourced to BDO Governance Advisory Sdn. Bhd. (BDO), who reports directly to the Audit Committee. Their risk-based audit plan focuses on high-risk areas, including environment, social, governance, climate, technology and cyber security risks.

The internal audit function operates independently and objectively in evaluating the adequacy and integrity of the Group's internal control system and risk management processes.

During the FY2025, BDO carried out Internal Control Review on Procurement to Payment and Payroll Management, Health, Safety and Environment at the Group Level, and A Gap review assessment on the Group's current compliance to the National Sustainability Reporting Framework (NSRF).

The objectives of these reviews were to assess the adequacy of the internal control system, test compliance with policies and recommended best practices, and identify potential areas for improvement in effectiveness and efficiency.

The IA function adheres to the International Standards for the Professional Practice of Internal Auditing and collaborates with other assurance providers to provide a coordinated approach to assurance.

### 7. Review of Risk Management and Internal Control

The Board, through the Audit Committee and the Risk Management Committee, has reviewed the adequacy and effectiveness of the Group's risk management and internal control system for the FY2025 under review. In conducting its review, the Board considered reports and assurances from Senior Management, the internal auditors, external auditors including the Company's internal compliance reports, as well as discussions at Board and Committee meetings.

The Board assessed whether management processes provide reasonable assurance that significant risks are managed within acceptable levels aligned with the Group's risk appetite and strategies.

Consistent with the SORMIC Guide 2025, the Board confirms that the risk management and internal control processes were in place for the financial year under review and up to the date of approval of this statement.

The Board has received written assurance from the Chief Executive Officer and Chief Financial Officer, that the Group's risk management and internal control system is operating adequately and effectively. Where significant failings or weaknesses have been identified, actions have been or are being taken to remedy them, and the Board is satisfied that such actions are appropriate and sufficient.

### 8. Linkage with Sustainability Governance

The Board recognises that sustainability-related risks and opportunities, including those arising from climate change, regulatory developments and stakeholder expectations, form an integral part of the Group's overall risk profile. Accordingly, the risk management framework and internal control system encompass sustainability-related risks, including environmental, social, health and safety, and governance risk.

The Board is assisted by the Sustainability Management Committee in overseeing sustainability governance to ensure alignment with the National Sustainability Reporting Framework (NSRF) and IFRS Scope 1 & 2. Details of the Group's governance structure, strategy, risk management approach, and metrics and targets in relation to material sustainability-related risks and opportunities are set out in the Sustainability Statement, which should be read together with this SORMIC.

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### 9. Material Internal Control Matters

Based on the FY2025 review, conducted and the assurances received from Management, the internal audit function and the external auditors, the Board is of the view that there were no material weaknesses in the Group's risk management and internal control system that would have a material impact on the financial performance or operations of the Group for the financial year under review.

### 10. Conclusion

Taking into consideration the risk management and internal control framework described above, the Board is satisfied that the Group's system of risk management and internal control was adequate and effective to address the Group's material risks for the financial year ended 31 December 2025.

The Board remains committed to continuously strengthening the Group's risk management and internal control system in line with best practices, including the SORMIC Guide 2025, the Malaysian Code on Corporate Governance and Bursa Malaysia's listing requirements. The Board will continue to monitor emerging risks and adapt the system accordingly to safeguard stakeholders' interests.

*This Statement on Risk Management Report & Internal Control was approved by the Board of Directors on 01 April 2026.*