

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

BOARD'S RESPONSIBILITIES

The Board of Directors ("The Board") acknowledges their responsibility in maintaining a sound system of internal control covering financial and operational controls, compliance and risk management to safeguard shareholders' investments and the Group's assets. The tone and culture towards managing key risks is carefully nurtured and directed by the Board and embedded into the Group's processes and structure. The Risk Management Committee ensures the implementation and compliance of a robust risk management process and the relevant internal controls system.

There is an on-going review process by the Board to ensure the adequacy and integrity of the risk management and internal control system in accordance with the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers. However, the Board recognises the review of the Group's system of risk management and internal controls is a concerted and continuous process, designed to manage rather than eliminate the risk of failure to achieve business objectives. As such, internal controls can only provide reasonable and not absolute assurance against material misstatements or loss.

The Board has received assurance from the Executive Committee ("EXCO") and Chief Financial Officer that the Group's risk management and internal control system is adequate and operates effectively, in all material aspects providing reasonable assurance that risks are managed within tolerable ranges. The Executive Committee consists of the Executive Chairman, Group Managing Director, Executive Directors of the Company and Heads of Business Units.

RISK MANAGEMENT

The Board has put in place an Enterprise Risk Management ("ERM") Framework, applying the relevant practices set out in the Malaysian Code on Corporate Governance 2021, to ensure that there is an on-going process of identifying, evaluating, and managing risk exposure. The Group's ERM framework enhances the Group's ability to make better decisions, improve performance and capitalise on opportunities which are essential to achieve the Group's vision of being a preferred global agro-based enterprise by maintaining and implementing relevant controls or translating the principal risks of the business into upside opportunities.

Management is accountable to the Board for risk management and internal control and has implemented processes to identify, evaluate, monitor and report risks in a timely manner. Management promptly mitigates risk through the design and implementation of effective and relevant controls. For this, a Risk Management Committee ("RMC") and a Risk Management Unit ("RMU") have been established by the Group.

Risk Management Committee

The members of the RMC comprises a majority of Independent Non-Executive Directors appointed by the Board of Directors. The RMC is responsible for amongst others:

- To create a high-level risk strategy policy aligned with the Company's strategic business objectives;
- To perform risk oversight and review risk profiles (Company and the Group) and organisational performance; and
- To provide guidance to the business units' risk appetite and capacity, and other criteria, which, when exceeded, trigger an obligation to report upward to the Board.

Risk Management Unit

Chaired by the Executive Chairman, the RMU comprises Heads of Business Units ("HOBUs") and undertakes the following responsibilities:

- To communicate board vision, strategy, policy, responsibilities, and reporting lines to all employees across the Group;
- To identify and communicate to the RMC the critical risks (present or potential) the Group faces, their changes, and the management action plans to mitigate the risks; and
- To perform risk oversight and review risk profiles (Company and the Group) and organisational performance.

The respective subsidiaries maintain their own risk registers. Overseen by the respective HOBUs, subsidiaries perform quarterly review of their risk registers to document their risk identification, assessment and mitigation. Residual risks are being assessed for its likelihood and impact defined by the ERM Framework. Risks that are deemed significant or high at Group level are brought up to the RMU for further review and deliberation.

The Head of Internal Audit and Risk Management facilitates the risk management process in accordance with the ERM Framework. This facilitation is a consulting service provided to the Group without assuming any management responsibility.



PRINCIPAL RISKS

During the financial year under review, the Group's activities were exposed to the following principal risks:

Key Risks	Description	Key Mitigation Measures
Operational Risk	The Group's policy is to assume operational risks that are manageable within its core business competencies. The operational risk management ranges from disease outbreak, power failure, depleting fish resources, food safety, halal compliance, high feed cost and environmental related risk.	<ul style="list-style-type: none"> • Day-to-day operational risks are mainly decentralised at the respective business unit level and guided by standard operating procedures (SOPs). • Where applicable, monitoring mechanisms are established to ensure that the risks are being adequately mitigated and managed.
Financial Risk	<p>The Group is exposed to various financial risks relating to foreign currency exchanges and commodity trading and pricing related risk.</p> <p>The Group has imports and exports in foreign currencies, hence fluctuation of the currency exchange rates may result in financial impact. In addition, volatility of commodity prices may adversely affect financial performance of the Group.</p>	<ul style="list-style-type: none"> • Management has low risk appetite with regards to foreign currency exchange and commodity prices and exercises utmost prudence in managing this risk. • Constant and regular monitoring of the market and available data and being guided by hedging policies. • The futures market is utilised as a hedging tool to manage the Group's exposure to price fluctuations.
Geopolitical Risk	The Group's business can be affected by geopolitical events that may disrupt supply chain, cause high inflation, escalate feed cost and affect consumers' purchasing power.	<ul style="list-style-type: none"> • Supply chain and markets are being diversified. Supplies are sought from various regions and market is not concentrated to ensure that the impact arising from any unwanted geopolitical event on business and operations can be mitigated.

INTERNAL CONTROL PROCESS

The key elements of the Group's internal control processes are summarised as follows:

Code of Business Ethics and Conduct sets out expected ethical standards and code of conduct which are binding on all employees in the Group.

Delegation of Responsibilities - The Board has delegated its responsibility to several committees and to the Management of the Company to implement and monitor designated tasks. At Management level, organisation charts are used to establish clear line of reporting and delineation of responsibilities.

Authority Limits are in place to define the level of authority given to various levels of management in making operational and commercial business decisions. As for the matters reserved for collective decision of the Board, they are defined in the Board Charter.

Standard Operating Procedures (SOPs) for business processes are formalised to govern the Group's business operations. SOPs are being reviewed and revised from time to time to ensure that they remain relevant at all times.

Budgetary Process has been conducted starting from the respective entities proposing budgets and CAPEX to be reviewed at pillar level. The budgets and CAPEX are then submitted to the EXCO for deliberation and consolidated into the Group's budget that will be approved by the Board.

Annual Budget and Periodic Performance Review are being undertaken by Management. While the Board approves the annual budget, EXCO meets on a quarterly basis to review performance against the budget to ensure that the business remains on track to achieve the Group's strategic direction.

Anti-Bribery Framework ("ABF") has been adopted by the Group which reflects the Group's zero tolerance stance against all forms of bribery and corruption at all times. The ABF covers policies and procedures on facilitation payments, gifts and entertainment, third party travel, donation and sponsorship, business rewards, rebates, commissions, or other incentives. A copy of the Anti-Bribery Policy is published at QL's website.

Whistle-blower policy is in place and anyone who has a genuine concern on detrimental actions or improper conduct may raise it using the confidential channels laid out in the policy which is available on QL's website.

Sustainability Framework is providing the roadmap to ensure the Group conducts its business responsibly, ethically and sustainably with regards to environment, social and governance.

Quality Assurance, Control and Monitoring have been undertaken by entities of various business operations. For instance, Family Mart has QA/QC Teams focusing on food safety and compliance at central kitchens and stores. Internal quality auditors visit various locations to ensure that the quality requirements are complied with. In addition, at pillar level, centralised departments such as Centre of Excellence Department ("COE") at ILF focuses on the Integrated Livestock Farming's quality assurance.

Safety, Health and Environment ("HSE") is among the Group's emphasis in the Group's Sustainability Roadmap. The Group's Sustainability Roadmap has included a plan to obtain certification for ISO 45001:2018 Occupational Health and Safety Management System by stages for relevant entities. During financial year ended 2023, one (1) of the entities under ILF has obtained the certification.

Human Capital Management involves having roles and responsibilities clearly defined in the job description for each position. There is also a systematic process for periodic appraisals of employees' performance comprising criteria of rating and performance indicators to assess personnel productivity, growth and succession planning.

Quarterly Board and Board Committee Meetings including the Audit Committee and RMC are being conducted to review business performance, discuss strategic matters, deliberate on key risks and matters brought up by the Management, Internal and External Auditors.

Physical Safeguard and Insurance are undertaken to ensure adequate protection and coverage. Physical control is in place to protect the Group's assets at various locations. Various insurance policies are being reviewed annually to ensure that the Group is covered against unwanted events.

Information and Communications Systems within the Group include the use of ERP system and other systems which capture data and provide management with analysis and reports for performance monitoring. Employees are guided by the Information Technology (IT) policies and procedures such as IT Security Policy and IT User Guide to ensure the Group's data and information are being safeguarded.

REVIEW OF THIS STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and 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 and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants for inclusion in the Annual Report of the Group for the year ended 31 March 2023, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the Annual Report of the Group, in all material respects:

- a. has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and 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 and 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 the Annual Report will, in fact, remedy the problems.

CONCLUSION

The Board is of the view that the risk management and internal control systems that are in place for the year under review and up to the date of approval of this statement is adequate and effective to safeguard shareholders' investment and the Group's assets.

There have been no significant breakdowns or weaknesses in the system of internal control of the Group for the financial year under review. The Group continues to take the necessary measures to ensure that the system of internal control is in place and functioning effectively.

The Group's system of internal control applies to QL Resources Berhad and its subsidiaries. Associated companies have been excluded because the Group does not have full management and control over them. However, the Group's interest is served through representations on the boards of the respective Associated companies.

This Statement on Risk Management and Internal Control was approved by the Board on 10 July 2023.