

# Statement on Risk Management and Internal Control

## 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. In terms of risk management, the Board is responsible for overseeing the risk management framework of the Group and review the effectiveness of the risk management process. The Board sets the tone from the top and the appetite towards managing key risks, nurtures a risk conscious culture and embeds risk management into the Group's processes and structure.

The Board delegates its role on risk management to the Risk Management Committee to oversee the implementation and compliance of a robust risk management process and the relevant internal controls system.

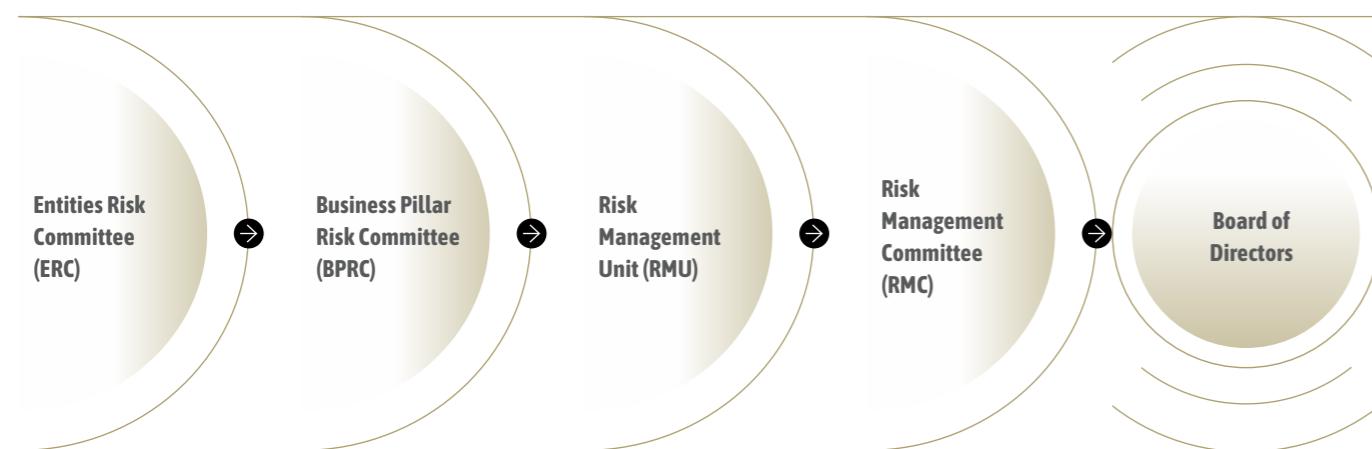
There is an on-going review process by the Board to ensure the adequacy and integrity of the risk management and internal control system. However, the Board recognises that the review of the Group's system of risk management and internal controls is a concerted and continuous process, designed to manage 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 Chief Executive Officer, Business Pillars' CEOs, Deputy CEOs, COOs, and Head of Business Units (HOBU).

### ENTERPRISE RISK MANAGEMENT FRAMEWORK

The Board has put in place an Enterprise Risk Management ("ERM") Framework that is principally aligned with ISO 31000:2018. The ERM Framework provides the foundation for managing risks across the Group covering the aspects of economic, environment, social and governance (EESG) risks where internal controls are designed to address and manage the risks identified. Applying the ERM Framework and relevant practices set out in the Malaysian Code on Corporate Governance 2021 ensures 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 risks through the design and implementation of effective and relevant controls. For this, a Risk Management Committee ("RMC"), a Risk Management Unit ("RMU") and Business Pillar Risk Committees have been established by the Group.



### Risk Management Committee (RMC)

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

- Creating a high-level risk strategy policy aligned with the Company's strategic business objectives;
- Performing risk oversight and reviewing risk profiles (Company and the Group) and organisational performance; and
- Providing guidance to the business units' risk appetite and capacity, and other criteria, which, when exceeded, triggers an obligation to report upwards to the Board.

### Risk Management Unit (RMU)

Chaired by the Executive Chairman, the RMU comprises the Group CEO, CFO and Business Pillars CEOs & COOs and undertakes the following responsibilities:

- Communicating Board vision, strategy, policy, responsibilities, and reporting lines to all employees across the Group;
- Identifying and communicating to the RMC the critical risks (present or potential) the Group faces, their changes, and the Management action plans to mitigate the risks; and
- Performing risk oversight and reviewing risk profiles (Company and the Group) and organisational performance.

### Business Pillar Risk Committees (BPRC)

Business Pillars MPM and ILF have formed their respective BPRCs which comprises the Group CEO, Business Pillars CEOs, Deputy CEOs, COOs and key management personnel. Responsibilities of the BPRC include:

- Reviewing the risks compiled from the Entities Risk Committees (ERC) from the Business Pillar perspective i.e. by Business Pillar;
- Ensuring consistent application of the ERM Framework including risk appetite and risk assessment; and
- Reviewing sufficiency of the mitigation action plans taken by ERCs to address the risks and where deemed appropriate and necessary, mitigation actions by the Business Pillar.

### Entities Risk Committees (ERC)

Cluster of Subsidiaries within the same locations and Business Pillars are managed by the same Management team. Each of this cluster forms an ERC, maintains its own risk registers and is supported by a Risk Champion appointed by Head of Entity. Overseen by the respective person in charge of the business, HOBU and COO, ERCs 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. Key risks such as those that are deemed significant or high are brought up to the BPRC and/or 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.

## 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.

**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. In the past two (2) years, one (1) of the entities under ILF and another under CVS had obtained the certification.

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

**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.

**Food Safety Standards** are being implemented across the Group to ensure that the products manufactured can be enjoyed safely by customers. The standards include FSSC 22000, ISO 22000, ISO 9001, HACCP, MeSTI and GMP certifications.

**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.

**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.

**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.

**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 2024, 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 2024.