



KELINGTON GROUP BERHAD
(Registration No.: 199901026486 (501386-P))
(Incorporated in Malaysia)

Risk Management Policy

1.0 OBJECTIVE

The Board recognises the importance of risk management in helping Kelington Group to achieve its objective and sustain success. Accordingly, this risk policy is established by the Board with the aim of setting and providing references of the intents and fundamentals of risk management practices in the Group.

Kelington Group and its subsidiaries adopt this risk management policy in identifying, assessing, treating and monitoring the ever-changing risks facing the Group and take specific measures to mitigate these risks in order to minimise foreseeable disruption to operations, prevent harm to our people and avoid damage to the environment and property.

2.0 BOARD'S RESPONSIBILITIES

The Board is primarily responsible for overseeing risk management in the Group. In doing so, the Board will perform the following responsibilities. However, the Board may delegate its risk management oversight role to a board committee, if needed.

- 2.1 Review management practices, policies, processes, responsibilities and actions on risk management;
- 2.2 Review the status of principal risks and management action and assess whether these risks are being managed adequately and effectively based on the Company's risk appetite;
- 2.3 Obtain feedback on the adequacy and effectiveness of risk management and internal control from the senior management, Internal Auditors and External Auditors annually; and
- 2.4 Review and ensure that risk disclosure in the annual report are made in compliance with the provisions of the Bursa's Listing Requirements.

3.0 RISK APPETITE

Risk appetite is defined as the amount of risk that the Group is willing to accept in pursuit of its business. The Board will consider its priority, financial position of the Group as well as adequacy of its resources and timing in determining its risk appetite.

4.0 MANAGEMENT RESPONSIBILITIES AND RISK ASSURANCE

The management's responsibilities on risk management are as follows:

- 4.1 To promote risk awareness culture among the employees of the Group;
- 4.2 To educate the heads of departments and line managers of their collective assurance responsibilities to the Board;
- 4.3 To monitor and manage risk in accordance with the Group's risk appetite;
- 4.4 To assure the Board that the Group's risk management and internal control systems are operating adequately and effectively; and
- 4.5 To brief the Board on the status of risk and management actions.

The Executive Director and senior management responsible for the management and financial matters respectively shall ensure that the above responsibilities are being carried out and at the same time provide assurance to the Board stating whether the Group's risk management and internal control systems are operating adequately and effectively.

5.0 DISCLOSURE

The annual report shall include meaningful information necessary to assist shareholders' in understanding the main features of the Group's risk management processes and systems of internal control. In making its disclosures, the Board shall make reference and comply to the latest Malaysia Code on Corporate Governance, Bursa's Listing Requirements and Guidelines on risk management and internal control.

6.0 RISK MANAGEMENT STRATEGY

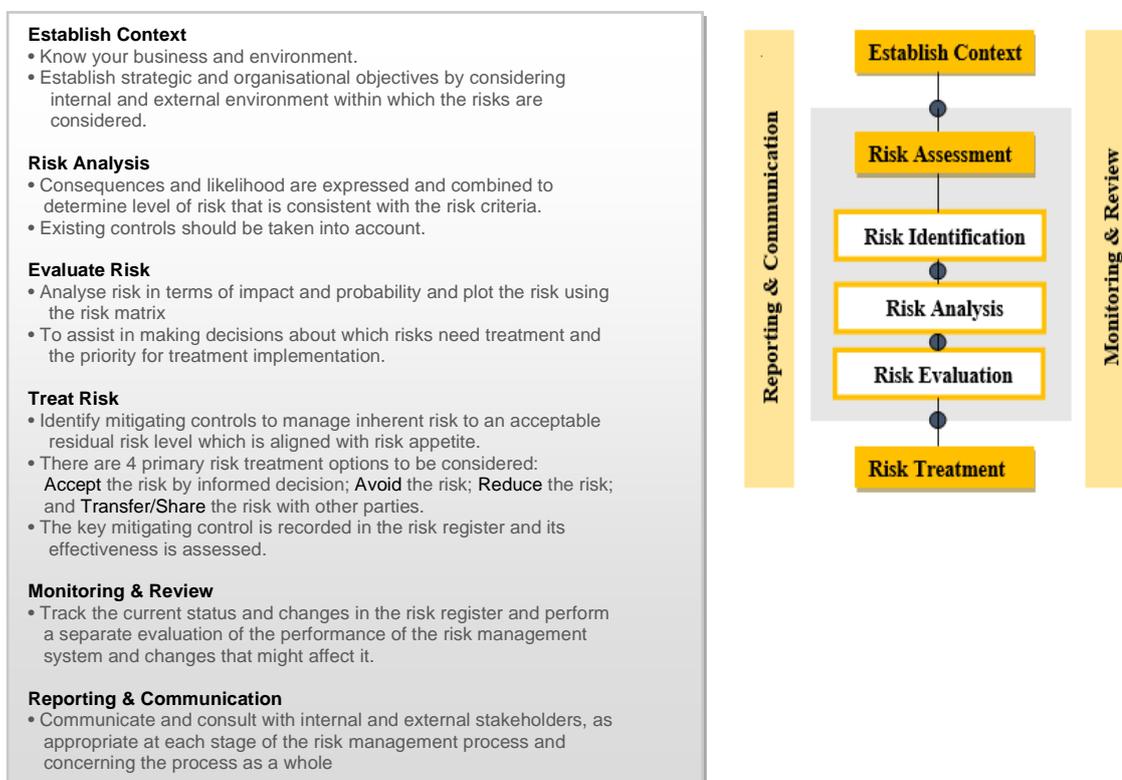
Risk management strategy is an integral component of overall Group strategy, which determines core capabilities, divisions, competitive advantages, the formation of the value-added chain, and thus the Group's value drivers.

The risk management strategy will align Enterprise Risk Management (“ERM”) resources and actions with business strategy necessary to maximise organisational effectiveness. Linking the business strategies to ERM can also provide a context for setting risk appetite and risk measures so that they are linked to the strategic plan of the Group.

The following risk strategy forms the strategic thrust of the ERM framework and sets the risk management tone that guides all employees of the Group in dealing with risks in a rational, target-oriented manner:

- 6.1 Kelington's risk management policy statement shall be adopted by all business units and divisions and the risk management decisions shall be made at the operating level where knowledge and expertise reside.
- 6.2 Responsibility for risk management will be undertaken by business units/divisions with appropriate advisory guidelines from the Board Risk Management Committee.
- 6.3 The Board strongly supports risk management with formal reporting. Risk management is periodically on the Board's agenda, and the Board and senior management are aware/ trained on risk.
- 6.4 This risk management policy and shall communicated across the Group.
- 6.5 Risk management is linked to business and operational planning, and is generally incorporated into new projects.
- 6.6 The risk management process is meant to promote a proactive risk management approach and create the necessary risk awareness and cultivate an intra-group risk and control culture. Just as a business strategy indicates the direction of the business, a risk strategy provides guidance for the risk activities within a company. It can set the tone for aggressive or conservative risk management activities, dictate how measuring and monitoring activities can be carried out and provide the “bird's-eye” view needed by management and the board. Indeed, it is the risk strategy that provides the backbone for embedding risk management within the culture of the business.

The key elements of this risk management process are as follows:



- 6.7 In addition to the risk management and internal control system, each KE Subsidiary must also have a management and communication system to handle any potential situation of crisis as efficiently as possible.

7.0 APPLICABILITY

This policy applies to the Group, management and staff, with immediate effect.

8.0 REVIEW AND PUBLICATION OF RISK POLICY

The Board shall publish this policy in the Company's website. The Board shall also review this policy annually and make necessary or desirable amendments to ensure that the policy remains consistent with the Board's objectives, current regulation requirements and governance best practice. Changes in the policy shall be adopted by the Board with a resolution.