



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, the Risk Management Policy ("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 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;
- 2.4** Review and ensure that risk disclosures in the annual report are made in compliance with the provisions of the Bursa's Listing Requirements;
- 2.5** Oversight of the Group's climate-related risks and opportunities as the impacts of climate change continue to evolve; and
- 2.6** Review and approves the Sustainability Statement which provides comprehensive disclosures on the Company's major sustainability initiatives and ESG (Environmental, social, and governance) risk management agenda.

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

- 4.1** The management's responsibilities on risk management are as follows:
 - (i) To promote risk awareness culture among the employees of the Group;
 - (ii) To educate the heads of departments and line managers of their collective assurance responsibilities to the Board;
 - (iii) To monitor and manage risk in accordance with the Group's risk appetite;
 - (iv) To assure the Board that the Group's risk management and internal control systems are operating adequately and effectively;
 - (v) To support sustainability strategy implementation;
 - (vi) To identify emerging ESG risks that could negatively impact Kelington Group's value in the long term and discuss how to mitigate them; and

(vii) To brief the Board on the status of risk and management actions.

- 4.2 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.

The Executive Management of Kelington Group are responsible to ensure climate-related risks and opportunities are fully integrated into the Company's long term business strategy.

5.0 RISK MANAGEMENT WORKING GROUP

Senior Vice President shall forms a local Risk Management Working Group ("RMWG") with the following responsibilities:

- 5.1 Communicate the Board's vision, strategy, policy, responsibilities and reporting lines to all personnel across the Group;
- 5.2 Review risk profiles and performance of the business units and departments;
- 5.3 Aggregate the Group's risk position and report to the Risk Management Committee ("RMC") on the risk situation;
- 5.4 Provide guidance to the business units and departments on the Group's risk appetite and other criteria which, when exceeded, trigger an obligation to report upwards to the RMC and the Board;
- 5.5 Identify and communicate to the RMC the critical risks (present and potential) at the respective business units and support departments, their changes and the management's action plans to manage the risks;
- 5.6 Train and communicate Enterprise Risk Management ("ERM") details within the company; and
- 5.7 Review and update risk management methodologies applied to the relevant business units and support departments, especially those related to risk identification, measuring, controlling, monitoring and reporting.

6.0 COMPLIANCE FRAMEWORK

The Corporate Compliance and Integrity Department ("CCID") to ensure adequate policies and procedures are in place to prevent corruption and bribery; ensure business processes follow all relevant legal and internal guidelines; and to review internal processes, develop company policies, and respond to policy violations.

The Group's CCID leads compliance-related initiatives under the direction and supervision of the Group Chief Operating Officer ("COO"), in collaboration with the Sustainability Working Group ("SWG") and Working Committee across the Group. The CCID reports the Group's integrity and compliance performance assessments to the RMC at least once a year.

7.0 IMPLEMENTATION

Day-to-day risk management resides with the respective business units and support departments. The principal roles and responsibilities of business units and support departments are as follows:

- Manage the business units' and support departments' risk profiles;
- Report risk exposure to the RMWG;
- Develop and implement action plans to manage risks;
- Report status of action plans to the RMWG; and
- Ensure that critical risks are considered in the action plans.

8.0 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.

9.0 RISK MANAGEMENT STRATEGY

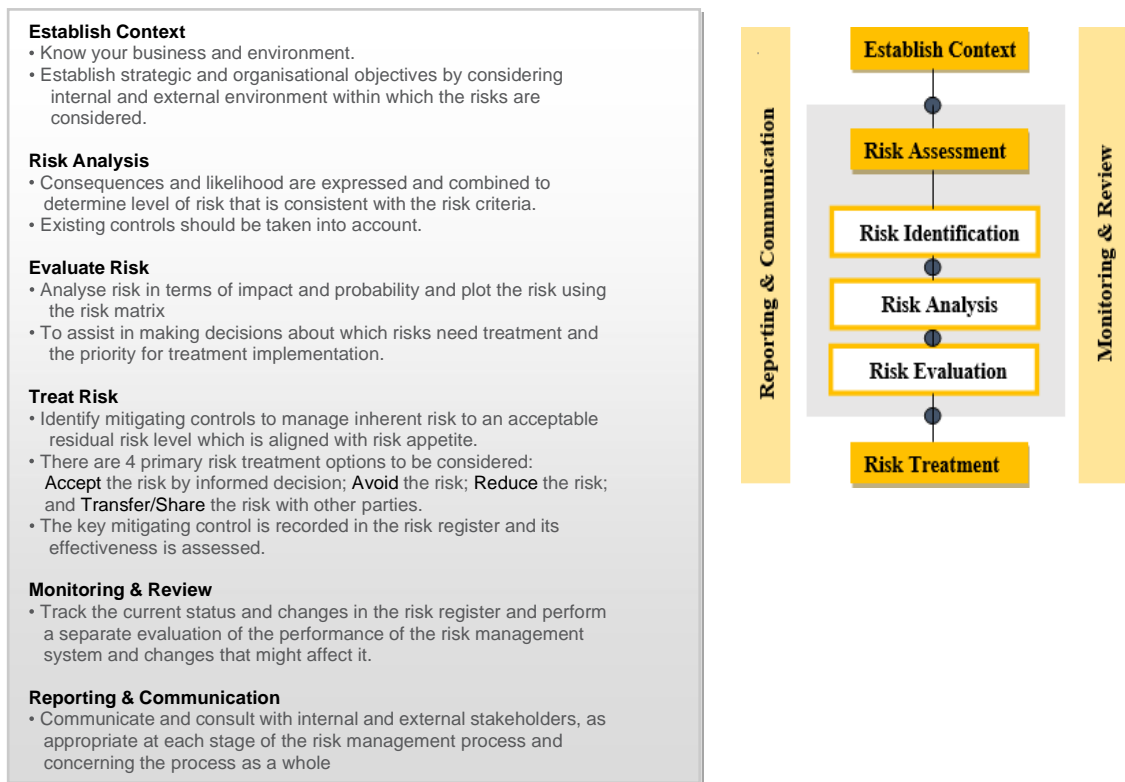
Risk management strategy is an integral component of overall Group strategy, which determines core capabilities, divisions, competitive advantages, the formation of the value-added chain, and thus the Group's value drivers.

The risk management strategy will align 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:

- 9.1 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.
- 9.2 Responsibility for risk management will be undertaken by business units/divisions with appropriate advisory guidelines from the Board RMC.
- 9.3 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.
- 9.4 The Board shall address ESG risk and work with the management to identify which ESG issues will impact the business most significantly. Risks and opportunities in these areas should be integrated into the formulation of strategies and operations.
- 9.5 This Policy and shall communicated across the Group.
- 9.6 Risk management is linked to business and operational planning, and is generally incorporated into new projects.
- 9.7 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:



9.8 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.

9.9 Recognising that environmental and climate change issues have imminent impact on our business operations, KE Subsidiary shall look into integrate climate change issues into the business operations, strategy and financial planning including adaptation and mitigation efforts.

10.0 APPLICABILITY

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

11.0 REVIEW AND PUBLICATION OF RISK POLICY

The Board shall publish this Policy in the Company’s website. The Board shall also review this Policy periodically 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. Any changes in the Policy shall be approved by the Board.