

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Malaysia”), a listed issuer must ensure that its Board of Directors (“Board”) includes in its annual report a statement about the state of its risk management and internal controls as a group. In addition, the Malaysian Code on Corporate Governance (“MCCG”) also stipulates that the Board should maintain a sound system of internal controls and review its effectiveness to safeguard Shareholders’ investments and the Group’s assets.

Set out below is the Board’s Statement on Risk Management and Internal Control (“SORMIC”) in compliance with the MMLR of Bursa Malaysia and guided by the SORMIC Guide 2025, published by the Institute of Internal Auditors Malaysia.

BOARD RESPONSIBILITY

The Board is committed to maintaining a sound system of internal controls and has instituted a risk management framework, as well as good corporate governance measures to monitor the effectiveness of the measures and controls put in place by the Group to safeguard Shareholders’ investments and the Group’s assets.

The Board is responsible for determining key strategies and policies for significant risks and control issues, whereas Management is responsible for the effective implementation of the Board’s policies by way of identifying, monitoring and managing risks. However, as any system of internal controls will have its inherent limitations, the system has been designed to manage risks rather than provide absolute assurance against material misstatement, fraud or loss.

The Board has also received reasonable assurance from the Group Managing Director and Group Chief Financial and Operations Officer that the Group’s risk management and internal control system is operating adequately and effectively, in all material aspects.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Board and Management of the Group are committed to the implementation of an internal control system to manage those risks that could affect the Group’s continued growth and financial viability.

Measures are taken to continuously evaluate changes in the risk profile of the Group and business complexities to assist the Board and Management to anticipate and manage all potential risks and protect Shareholders’ value.

The key elements of the Group’s internal control system include the following:

Risk Management Framework

The risk governance structure in the Enterprise Risk Management Framework defines the roles and responsibilities throughout the organisation to ensure accountability and ownership. It sets out the principles of sound corporate governance to assess and manage risks to ensure that risk taking activities are aligned with the Group’s long-term viability and its capacity to absorb losses.

The risk management philosophy adopted by the Group is based on the three (3) lines of defence approach. The line management is the first (1st) line of defence and is primarily responsible for the day-to-day risk management by identifying the risks, assessing impact and taking appropriate actions to manage and mitigate risks.

The second (2nd) line of defence is the oversight functions comprising Group Risk Management and Group Compliance and Ethics (“GCE”). They perform independent monitoring of business units as well as reporting to Management and the Board to ensure that the Group conducts its business and operations within internal guidelines and in compliance with relevant regulatory requirements.

The third (3rd) line of defence is Group Internal Audit (“GIA”) which provides independent assurance to the Board on the adequacy and effectiveness of system of internal controls, risk management and governance processes.

Governance

The Board, through its appointed committees such as the Group Board Risk Committee (“GBRC”) and Group Board Digital Innovation & Technology Committee (“GBDITC”), ensures that the Group’s activities are consistent with its approved risk appetite, strategies and policies.

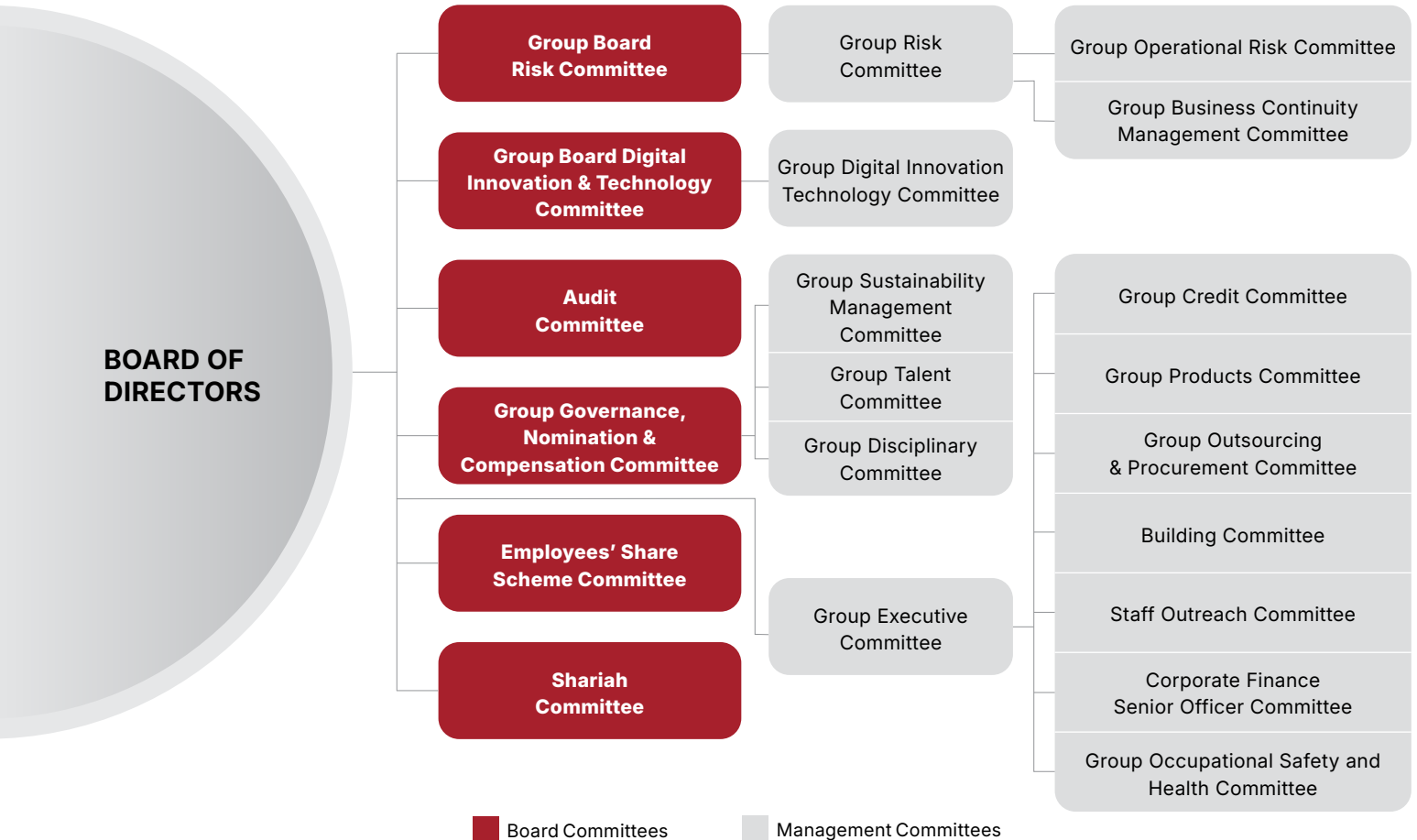
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The GBRC is supported by the Group Risk Committee (“**GRC**”) that provides a forum to address and review the management of credit, operational, market, liquidity, technology, climate change and other significant risks, including emerging risks arising from new or evolving threats which may arise due to dynamic changes in our operating environment, technology advancements, regulations, or geopolitical developments (e.g. cyber & information security risk, regulatory compliance risk, third-party & outsourcing risk, etc), to enable effective oversight, accountability, and responsibilities for risk-taking decisions. Assisting the GRC is the Group Operational Risk Committee and the Group Business Continuity Management Committee.

The GBDITC on the other hand, focuses on technologies and information technology (“**IT**”) risk of the Group at the Board level and is supported by the Group Digital Innovation Technology Committee which covers the Group’s technology plans and projects.

Quarterly meetings as well as special or ad hoc meetings as and when required, are held by the Audit Committee (“**AC**”) together with Management to review issues highlighted in the reports by internal and external auditors, as well as audits conducted by regulators such as Bank Negara Malaysia (“**BNM**”), the Securities Commission Malaysia (“**SC**”) and Bursa Malaysia; and the remedial measures or actions taken by Management in addressing the audit findings raised by the regulators. In addition, a joint GBRC and AC meeting is held at least once a year to ensure effective exchange of information and comprehensive coverage of risks including emerging risk issues that could have impact on the Group’s risk appetite and business plan.

The Group Governance, Nomination & Compensation Committee (“**GNC**”) was established with the objective, among others, to support the Board in the effectiveness and the enhancement of the Group’s governance structure, framework and policies and its compliance with the applicable statutory and regulatory requirements in relation thereof, including but not limited to, the MMLR of Bursa Malaysia, BNM’s Policy Document on Corporate Governance, the MCCG and the Malaysian Anti-Corruption Commission Act 2009, as well as the relevant latest developments in the corporate governance area.



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Management Committees (“MC”) are established to oversee specific responsibilities based on defined terms of references. MC meetings are held regularly to ensure that business operations are executed in accordance with approved strategies, policies and business directions. The MCs are responsible for, amongst others:

Reviewing the actual performance against expectations and budget;

Addressing any internal control issues with the AC, GBRC, GBDITC, GNC, Employees’ Share Scheme Committee (“ESSC”), GIA, regulators and the external auditors; and

Addressing any matters arising from the meetings of the Board, AC, GBRC, GBDITC, GNC and the ESSC; and ensuring that actions are taken in relation to these matters.

Risk Management Process and Infrastructure

The risk management process is a combination of both bottom-up and top-down approaches to facilitate decision-making based on available information known at the time and creating opportunities to refine inputs when new information is available.

In addition to establishment of risk policies, tools and methodologies to identify, quantify and manage the risks, Group Risk Management is also responsible for establishing the risk measurement and monitoring process to ensure that the Group’s risk profile and portfolio concentration are reported to the various risk committees on a regular basis.

Internal Policies and Procedures

Policies and procedures which set out standard day-to-day operations and managing risks are formulated based on current regulatory requirements and industry best practices.

The adequacy and compliance with regulatory requirements of the policies and procedures are assessed by independent control functions such as risk management, compliance and audit, prior to obtaining approval from the Board or relevant MC.

Existing policies and procedures are reviewed regularly to ensure improvements and in consideration of emerging or changing risk profiles, new products or services, as well as new or updated regulatory requirements.

Risk Appetite

Risk appetite is the level of risk the Group is willing to accept in pursuit of values and objectives. A clearly articulated risk appetite is fundamental to the alignment of risk-taking activities with its strategic plans. This is to ensure a consistent approach towards risk and strategic management across the Group.

The Risk Appetite Framework has been established to ensure that the risk appetites approved by the Board are managed prudently to achieve business plan and growth targets, while strengthening control and coordination of risk-taking activities across the Group’s businesses within acceptable boundaries.

Annual Business Plans and Budgets

The Board reviews and approves the business plans and budgets which are developed in line with the Group’s strategies and risk appetite. Actual performances against the approved budgets are escalated to the Management and Board on a monthly basis allowing responses and corrective actions to be taken.

Human Capital Management

The organisational structure, which is aligned to business and operational requirements is led by Heads of Divisions or Chief Executive Officers of Subsidiary Companies with accountability in place.

Human resource policies and procedures are reviewed regularly to ensure they remain relevant for managing operational and people-related risks. Various awareness programmes that address the operational risks, ethics and fraud are also conducted from time to time. Employees are also periodically provided with training and updates to ensure alignment with requirements and guidelines issued by BNM, SC, and Bursa Malaysia. These sessions help reinforce awareness of corporate governance, risk management and internal control expectations.

Comprehensive background screenings of employees are performed during the hiring process and are repeated annually. Appropriate actions are taken in response to any adverse findings or identified risks.

Key Performance Indicators are cascaded to each employee annually, aligned with the Group and Division goals and objectives. Performance appraisals are conducted based on achievement against the established targets.

Management’s compensation and rewards are structured based on the Pay-for-Performance principle. Compensation for Material Risk Takers and Other Material Risk Takers is reviewed annually by the GNC and recommended for Board approval.

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Employee misconduct is managed through the established Consequence Management Framework and Group Disciplinary Policy and Procedure.

Business Continuity Management

Business Continuity Plans and Disaster Recovery Plans are established to ensure non-disruption of business or efficient business resumption. Regular testing or drills are also conducted for the purpose of staff preparedness, readiness of disaster recovery site, effectiveness of communication, escalation and recovery procedures. For effective business continuity management ("BCM"), awareness training is held annually for BCM coordinators and key persons.

Information Technology Security

The use of IT is essential and central to the Group's business. In order to ensure the reliability and resiliency of the business operations to meet the expectations of customers and all stakeholders, and in line with the guidelines of regulators such as BNM's Policy Document on Risk Management in Technology and SC's Guidelines on Technology Risk Management, the Group has established the corporate Cyber Security Policy and implemented the necessary security procedures to protect the confidentiality, integrity and availability of information systems and data.

With the increase in the adoption of digitalisation and service delivery via cyberspace, the Group will continue to reinforce its IT security efforts and initiatives to be aligned with the Group's current and envisaged operations, strategies and business environments. The IT security posture of the Group is also continuously reviewed and enhanced to mitigate the risks arising from new and emerging threats. In-house IT security training and security updates on the latest threats are constantly provided to all staff to ensure their awareness on the importance of IT security.

Climate Change and Sustainability Risk Management

The Group integrates climate change risks into our risk management framework to safeguard investments and enhance resilience. Managing climate change risk is core to our sustainability journey. We take a wholesome and integrated risk-based approach in addressing the multi-dimensional implications of climate change risk, including incorporating climate change risk drivers across credit, market, liquidity, operational and reputational risks. Considering the wide-ranging and significant implications of climate change risk on our business operations and, in line with BNM's guidelines such as Climate Risk Management & Scenario Analysis and Climate Change and Principle-Based Taxonomy, we developed

our Climate Change Risk Management Framework to provide strategic guidance to the Group in respect of climate change risk governance and implementation. This includes risk management practices, transition pathway and corporate direction in aligning its strategies and business operations with the applicable regulatory policies on climate change risk.

In addition, in alignment with the National Sustainability Reporting Framework ("NSRF"), which adopts the International Sustainability Standards Board ("ISSB") S1 and S2 requirements, the Group has developed a Sustainability Risk Management Framework to integrate sustainability risk and opportunity assessments across all business units and subsidiaries. This initiative will enhance our preparedness for NSRF disclosure requirements and establish a comprehensive sustainability risk profile for the Group. A climate risk profiling exercise has also been initiated to identify areas of vulnerability, guide strategic prioritisation, and further strengthen our readiness for ISSB-aligned reporting.

Climate change and sustainability risk management related matters, where relevant, are deliberated at the Board level by the GBRC. The GBRC is supported by the GRC which provides risk management oversight including reviewing and recommending frameworks, policies and procedures, as well as evaluating climate risk-related propositions within the Group. Meanwhile, the Group Sustainability Management Committee ("GSMC") provides oversight and guidance on the Group's sustainability strategies, policies, goals, and reporting, while overseeing the effective implementation of the Group's sustainability strategies and the integration of sustainability considerations into day-to-day operations to support long-term business objectives.

Compliance Function

The Board is unreservedly committed and always strives to adopt the principles and recommendations of the MCCG issued by the SC, as well as other relevant regulatory requirements relating to corporate governance. Compliance reviews and monitoring are undertaken by GCE using various tools and approaches based on the framework set by Group Compliance, a department of GCE. These reviews and monitoring are performed to assess the level of compliance with the relevant regulatory requirements and the respective companies' internal policies and procedures. Any regulatory deviation or compliance breaches will be reported to the respective Boards of operating entities within the Group and the relevant regulators. Pursuant to this, appropriate corrective actions including disciplinary actions will be taken to address the breach with a view to preempt and prevent the occurrence of a similar breach.

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Aside from Group Compliance, the three (3) other departments of GCE undertake functions to review and monitor compliance in their respective areas. In this respect, the Group Financial Crime Compliance, Group Regulatory Affairs and, Group Business Ethics and Integrity provide timely, structured, and comprehensive advice, as well as support to the Group on matters relating to the laws, rules, and regulations applicable to the Group.

GCE has also implemented a self-assessment framework to facilitate and promote regulatory compliance by the business within the Group. For this purpose, a list of identified laws, regulations and other regulatory instruments applicable to the Group are documented and maintained to facilitate compliance.

Please refer to the 'Ethics and Compliance Statement' for more details on functions, roles and responsibilities of GCE.

Internal Audit

GIA provides independent and objective assurance to the Board that the established internal controls, risk management and governance processes are adequate and are operating effectively and efficiently.

To ensure independence and objectivity, GIA reports independently to the AC of KIBB and has no responsibilities or authority over any of the activities it reviews. GIA's scope of work and activities are guided by the Internal Audit Charter, mandatory elements of The Institute of Internal Auditors' Global Internal Audit Standards and relevant regulatory guidelines.

An Annual Audit Plan based on the appropriate risk-based methodology has been developed and approved by the AC. On a quarterly basis, audit reports and status of internal audit activities including the sufficiency of GIA resources are presented to the AC for review.

Periodic follow-up reviews are conducted to ensure adequate and timely implementation of Management's action plans.

Associate and Joint Venture Companies

The Board does not regularly review the internal control systems of associate and joint venture companies as the Board does not have any direct control over their operations. Notwithstanding this, the Group's interests are served through representation on the Boards of the respective companies via receipt and review of management accounts, periodical reports as well as deliberation on proposals related to these companies. Such representation also provides the Board with information for decision-making on the continuity of the Group's investments based on the performance of these associate and joint venture companies.

Conclusion

The Board, through the AC and the GBRC, confirms that it has reviewed and considered the effectiveness of the Group's risk management and internal control system as adequate during the financial year and has taken into consideration any material developments up to the date of approval of the Annual Report and Audited Financial Statements for the Financial Year Ended 31 December 2025. The main financial risk areas faced by the Group and the guidelines and policies adopted to manage them are provided in detail under Note 51 of the Audited Financial Statements of KIBB for the Financial Year Ended 31 December 2025.

The Board is satisfied that there is an effective ongoing process for identification, evaluation and management of risks and there are regular reviews to ensure controls are efficient and effective.

Review of the Statement by External Auditors

As required by Paragraph 15.23 of the MMLR of Bursa Malaysia, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their review was performed in accordance with the principles of Audit and Assurance Practice Guides ("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. Based on the review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process that the Board has adopted in the review of the adequacy and integrity of the internal controls of the Group. AAPG 3 does not require the external auditors to, and they did not, consider whether this Statement covers all risks and controls, or to form an opinion on the effectiveness of the Group's risk and control procedures.

This Statement on Risk Management and Internal Control is made in accordance with the resolution of the Board dated 29 January 2026.