STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors of Alam Maritim Resources Berhad (Board) is committed in maintaining sound risk management and internal control system. Each business unit or functional group has implemented its own control processes under the leadership of the Group Managing Director (GMD) / Chief Executive Officer (GCEO), who is responsible for good business and regulatory governance. The Board is pleased to provide the following statement outlining the nature and scope of Alam Maritim Resources Berhad and its subsidiaries ("Group") Risk Management and Internal Control for the FY2023-24.

RESPONSIBILITY

The Board of Directors of Alam Maritim Resources Berhad ("Board") acknowledges its overarching responsibility for the Group's risk management and internal control framework, including reviewing its adequacy and integrity. This framework encompasses financial controls as well as operational, governance, risk management, strategic, organisational, and compliance controls in accordance with applicable laws, regulations, rules, and guidelines. Recognising that the system is designed to manage rather than eliminate risks, the Board, through the Board Risk Management Committee ("BRMC"), aims to identify, assess, and respond to risks within the risk tolerance level established as As Low As Reasonably Practicable ("ALARP") by the Board and Management. Thus, the system provides a pragmatic approach and solution, albeit not absolute protection against natural events or unforeseen circumstances.

The Board affirms a continual process of reviewing and reporting on the adequacy and integrity of the Group's risk management and internal control system to reasonably safeguard shareholders' investments, Group assets, and the interests of other stakeholders. This process undergoes regular review by the Board via the Board Audit Committee ("BAC") and aligns with guidelines for Directors on internal control and the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers. Minutes from BAC meetings, which document these discussions, are presented to the Board.

Additionally, the Board Risk Management Committee ("BRMC") has been established and maintained in accordance with Section 22 of the Capital Markets and Services Act 2007 ("CMSA") to oversee risk and ensure prudent management across the Group's business and operations. Throughout FY2023-24, the BRMC has reviewed, deliberated on, and advised on matters pertaining to corporate risks, project and operational risk assessments, and the development of mitigation strategies and action plans.

Risk and internal control issues that warranted the Board's attention were recommended by the BAC and BRMC for approval, while matters falling within the purview of the BAC and BRMC were updated to the Board for acknowledgement.

KEY INTERNAL CONTROL PROCESS

In order to ensure Regulatory Compliance, Transparency, prevent Conflict-of-Interest, Health, Safety, Security and Environment Protection, the Group's risk management framework and internal control system comprises the following key processes:

1. **CONTROL ENVIRONMENT**

   1.1. Board Committees
   The Board acknowledges that maintaining strong governance necessitates efficient and direct communication among the Board, Management, Internal Auditors, and External Auditors. To fulfill its responsibilities effectively, the Board is supported by its committees: the BAC, the Board Nomination and Remuneration Committee ("BNRC"), and the BRMC.

   1.2. Independence of the Board Audit Committee ("BAC")
   The BAC consists entirely of non-executive members of the Board, all of whom are independent. The Committee has full access to both Internal and External Auditors and holds separate meetings with the External Auditors at least twice a year, excluding any executives.

   1.3. Operating structure with clearly defined lines of responsibility and delegated authority.
   The operating structure includes a defined delegation of responsibilities to the committees of the Board and the management team.

STATEMENT ON RISK MANAGEMENT AND
INTERNAL CONTROL

2.   RISK MANAGEMENT

2.1   Risk management is considered essential by the Board, integral to the business and operations. Management is tasked with fostering a culture of risk awareness, providing necessary education on risk management, and regularly updating risk tools and procedures. They are also responsible for overseeing risks and internal controls related to operations, and ensuring compliance with relevant laws, regulations, and requirements.
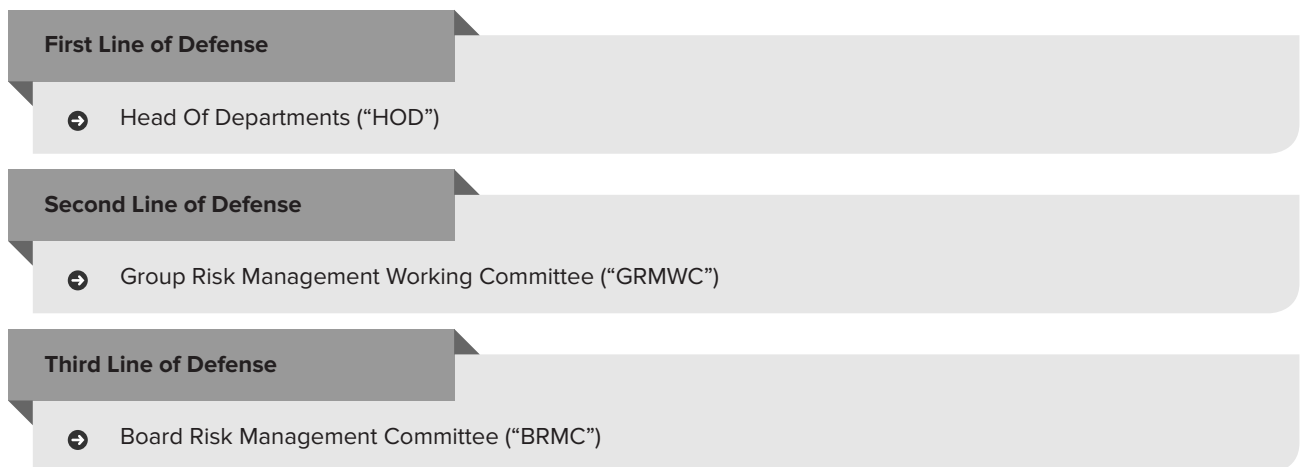
3.   BOARD RISK MANAGEMENT COMMITTEE ("BRMC")

3.1   The BRMC oversees the Group's Risk Management. Its members include Independent Non-Executive Directors and Non-Independent Executive Directors. Head of Finance, Head of Corporate Services and Head of Group Internal Audit and Risk Management attend BRMC meetings as invitees.

3.2   The primary role of the BRMC is to provide strategic guidance to Management on managing Enterprise Wide Risks ("EWR") within the Group through risk oversight. This ensures effective risk assessment with mitigation plans across all aspects of the Group's business activities, and prompts Management to update policies and procedures as necessary to support the achievement of the Group's objectives.

3.3   The BRMC is supported by the Group Risk Management Working Committee ("GRMWC"), composed of all Heads of Departments ("HOD"). Chaired by the Group Executive Director, the GRMWC is responsible for implementing the Group Risk Management Framework effectively. It manages risks and controls related to Group operations, ensures compliance with applicable laws, regulations, and requirements, and recommends periodic reporting of key risk exposures to the BRMC.

3.4   The GRMWC includes the Group Managing Director, Group Chief Operating Officer, Group Executive Directors, Group Chief Financial Officer, Heads of Business Units, and the Head of Group Internal Audit and Risk Management. Heads of relevant Divisions and Departments participate as invitees.

4.   RISK MANAGEMENT FRAMEWORK

4.1   The Group has established a Risk Management Framework to ensure a consistent approach to risk management and to promote a shared understanding of acceptable risk among all employees. This framework delineates the governance and structure of risk management, along with processes, accountabilities, and responsibilities across the organisation.

Three (3) Line of Defense in Risk Management

First Line of Defense

➡   Head Of Departments ("HOD")

Second Line of Defense

➡   Group Risk Management Working Committee ("GRMWC")

Third Line of Defense

➡   Board Risk Management Committee ("BRMC")

STATEMENT ON RISK MANAGEMENT AND
INTERNAL CONTROL

5.   ACCOUNTABILITY AND RISK TOLERANCE

5.1   Managing risks is a collective responsibility integrated into the Group's governance, business processes, and operations. Employee and Management commitment to the risk management process is continually reinforced through activities such as the establishment of the GRMWC, group discussions, and oversight facilitated by the Group Internal Audit and Risk Management Department.

5.2   Our risk tolerance is defined using a risk impact and likelihood matrix, which establishes a boundary for risks categorized as "exceeding risk tolerance" versus those within acceptable limits. We employ a structured framework where risks and the effectiveness of mitigations from each department are assessed during quarterly engagements with Heads of Departments (HODs). These assessments are followed by quarterly reviews in the GRMWC and BRMC, where risks, specific issues, contributing factors, impacts, and mitigations are evaluated to ensure departmental objectives align with overall corporate goals. This process ensures that planned corrective actions are implemented, monitored, and adjusted regularly to achieve the Group's desired corporate agenda and objectives.

6.   RISK MANAGEMENT REPORTING

6.1   The Risk Management Framework ("RMF") includes regular comprehensive reviews and reporting. The Group Internal Audit and Risk Management Department collaborates continuously with Heads of Departments ("HODs") to review and update their respective risk registers. Significant potential risks, along with mitigation plans and actions taken, are deliberated in the GRMWC and reported to the BRMC and the Board of Directors.

6.2   To ensure the robustness and compliance of our RMF and processes with internationally recognized standards, our Business Risk Assessment ("BARA") incorporates four (4) assessment parameters—Human, Environment, Asset, and Reputation (collectively referred to as "HEAR" factors)—to identify the root causes of risks within existing procedures.

7.   CONTROL ACTIVITIES

7.1   Policies, Procedures and Limits of Authority

Clear financial authority limits are established for all levels of management within the Group, ensuring accountability for financial commitments. Internal policies, standards, and procedures are well-documented to ensure compliance with internal controls, as well as applicable laws, regulations, and requirements. These documents are regularly updated to address evolving risks and operational needs. Periodic reviews are conducted to maintain the relevance and currency of these documents. Group-wide policies are accessible to employees via the Group's intranet for easy reference. All policies and standards undergo Board approval, and instances of non-compliance are promptly reported to the Board.

7.2   Strategic Business Planning, Budgeting and Reporting

Management provides regular and comprehensive information for monitoring performance against the strategic plan, encompassing key financial, investment, and operational metrics. Quarterly, the Group Managing Director (GMD) conducts reviews with the Board covering strategic issues, performance, resource allocation, and business conduct standards. An annual detailed budgeting process requires all business units to prepare budgets, which are reviewed and approved by the Board. Effective reporting systems are implemented to track significant variances against budgets and plans, ensuring proactive monitoring of performance.

8.   INSURANCE AND PHYSICAL SAFEGUARD

8.1   The Group maintains adequate insurance coverage and physical safeguards for its major assets to protect against liabilities that could result in significant damage, claims, or losses.

8.2   Management conducts an annual policy renewal exercise to evaluate coverage based on the current fixed asset register and prevailing market prices for similar items, as applicable.

STATEMENT ON RISK MANAGEMENT AND
INTERNAL CONTROL

9.   INFORMATION AND COMMUNICATION

9.1   Timely communication of relevant information including the Group's achievement and updates on corporate and organisational structure and policies and procedures, enabling employees to focus on and perform their responsibilities effectively.

9.2   Heads of subsidiaries and joint venture companies within the Group engage in business dialogue sessions with Senior Management to discuss strategies and address challenges in pursuit of business goals and objectives.

10.   EFFECTIVE REGULAR MONITORING

10.1   Management Visit
Directors and Senior Management, where necessary conduct visits to marine vessels, branch offices, project sites, customers and business partners' offices to review the Group's operations and gain a better understanding to facilitate cognizant of decision-making capability.

10.2   Internal Audit Function
In order to ensure that the internal controls system is viable and robust, periodic examination of business processes and the internal controls procedures and processes by the Group Internal Audit function to monitor and review the effectiveness and efficiency of the system of internal control. Reports on the reviews carried out by the Internal Auditor are submitted on a regular basis to the management and the BAC.

10.3   Performance Management
In order to nurture the quality and competencies of employees, continuing education, training, seminar and development programs are emphasized to enable employees to discharge their duties effectively. Progressively, employees' performance is measured according to the sets of key performance indicators i.e. Performance & Development Appraisal ("PDA") aligned to their functions as assigned to them which they are expected to accomplish.

REVIEW OF STATEMENT BY EXTERNAL AUDITORS

Pursuant to Paragraph 15.23 of the Bursa Malaysia Listing Requirements, the external auditors have reviewed this Risk Management and Internal Control Statement. Their review was performed in accordance with the scope set out in the 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 ("MIA").

Based on their review, the external auditor has reported to the Board that nothing has come to the attention that causes them to believe that this Statement is inconsistent with their understanding of the process the Board has adopted.

AAPG 3 does not require the external auditors to consider whether this Statement 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 and management thereon. The external 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

For the financial year under review, following inquiries and assurance provided by the Group Managing Director and the Group Head of Finance, the Board affirms to the best of its knowledge that the internal control and risk management systems are robust and adequate. These systems provide reasonable assurance in safeguarding the shareholders' investments, Group assets and other stakeholders' interests while addressing significant risks affecting the Group's business operations.

This Statement on Risk Management and Internal Control adheres to the guidelines set forth by the Bursa Malaysia Listing Requirements and the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers. It was approved by the Board during its meeting on 24 October 2024.