Audit and Risk Management Committee Report

COMPOSITION

Yap Seng Chong
(Chairman/Independent Non-Executive Director)

Professor Emeritus Datuk Ts. Ir. Dr. Siti Hamisah Binti Tapsir
(Member/Independent Non-Executive Director)

Fong Yee Mei
(Member/Independent Non-Executive Director)

TERMS OF REFERENCE

The terms of reference can be found under the 'Corporate Governance' section on the Company's website at www.ytlcement.my.

NUMBER OF MEETINGS HELD AND DETAILS OF ATTENDANCE

During the financial year, a total of 5 Audit and Risk Management Committee ("ARMC") Meetings were held and the details of attendance are as follows:-

	Attendance
Yap Seng Chong	5/5
Professor Emeritus Datuk Ts. Ir. Dr. Siti Hamisah Binti Tapsir	5/5
Fong Yee Mei	5/5

SUMMARY OF WORK CARRIED OUT FOR THE FINANCIAL YEAR

The ARMC carried out the following work for the financial year ended 30 June 2026 in the discharge of its functions and duties:-

1. Financial Reporting

(a) Reviewed the unaudited quarterly financial reports and audited financial statements ("Financial Reports") prior to its recommendation to the Board of Directors for approval.

(b) In respect of the Financial Reports, the following matters were reviewed and discussed with management, with clarifications and/or additional information provided wherever required:

- Appropriate accounting policies had been adopted and applied consistently, and other statutory and regulatory requirements had been complied with;
- The Company has adequate resources to continue in operation for the foreseeable future and that there are no material uncertainties that could lead to significant doubt as to the Group's ability to continue as a going concern;
- Significant judgements made by management in respect of matters such as impairment assessment of goodwill, derecognition of deferred tax assets, provision for site restoration costs, impairment assessment of property, plant and equipment and the underlying assumptions and/or estimates used were reasonable and appropriate in accordance with the requirements of the Malaysian Financial Reporting Standards ("MFRS");
- Adequate processes and controls were in place for effective and efficient financial reporting and disclosures under the MFRS and Bursa Malaysia Securities Berhad Main Market Listing Requirements ("Listing Requirements");
- The Financial Reports were fairly presented in conformity with the relevant accounting standards in all material aspects.

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2. External Audit

(a) Reviewed with the external auditors, HLB Ler Lum Chew PLT ("HLB"):

- the audit plan for the financial year ended 30 June 2026 outlining, amongst others, their scope of work, audit approach, areas of audit emphasis and development in laws and regulations affecting financial reporting and the roles and responsibilities of directors/ ARMC members and auditors;
- their status report, and final report on the audit of the financial year ended 30 June 2026 setting out their comments and conclusions on the significant audit and accounting matters highlighted, including management's judgements, estimates and/or assessment made, and adequacy of disclosures in the financial statements.

(b) Reviewed the audit fees proposed by HLB together with management and recommended the fees agreed with HLB to the Board of Directors for approval.

(c) Had discussions with HLB without the presence of management twice on 18 August 2026 and 22 September 2026, to apprise on matters in regard to the audit and financial statements. No issues were highlighted by HLB.

(d) Reviewed the profiles of the audit engagement team from HLB which enables the ARMC to assess their qualifications, expertise, resources, and independence, as well as the effectiveness of the audit process.

(e) Reviewed on a quarterly basis, the nature and extent of the non-audit services provided by HLB and its affiliates and was satisfied with the suitability, performance, independence and objectivity of HLB.

(f) Obtained written assurance from HLB that they have complied with the independence requirements and that their objectivity has not been compromised in accordance with regulatory and professional requirements.

(g) Confirmed verbally by the ARMC members that they had no knowledge of any actual, suspected or alleged fraud and non-compliance or suspected non-compliance with laws or regulations affecting the Group in response to an enquiry by the external auditors.

(h) Assessed the performance of HLB for the financial year ended 30 June 2026 and recommended to the Board of Directors for re-appointment at the forthcoming annual general meeting.

(i) Received the Condensed Transparency Report prepared by HLB, which contains the audit partner workload, auditor independence, professional capacity and competency, and investment in audit quality.

3. Internal Audit / Internal Control

(a) Reviewed with the internal auditors the internal audit reports (including follow-up review reports), the audit findings and recommendations, management's responses and/or actions taken thereto and ensured that material findings were satisfactorily addressed by management.

(b) Reviewed and adopted the internal audit plan for the financial year ending 30 June 2027 to ensure sufficient scope and coverage of activities of the Group.

(c) Reviewed internal audit resourcing, with focus on ensuring that the function has sufficient resources together with the right caliber of personnel to perform effectively and that the Chief Audit Executive has adequate authority to discharge his roles and responsibilities objectively and independently.

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(d) Noted the outcomes of the internal audit department within the YTL Corporation Berhad Group ("YTLIA")'s review and verification of the Group's ESG data reporting with reference to the disclosure requirements under Bursa Securities' Sustainability Reporting Guide (3rd Edition), IFRS S2, and the National Sustainability Reporting Framework (NSRF).

4. Related Party Transactions

(a) Reviewed, on a quarterly basis, the recurrent related party transactions of a revenue or trading nature ("RRPTs") entered into by the Company and/or its subsidiaries with related parties to ensure that the Group's internal policies and procedures governing RRPTs are adhered to, the terms of the shareholder mandate are not contravened, and disclosure requirements of the Listing Requirements are observed.

(b) Reviewed the circulars to shareholders in relation to the renewal of shareholder mandate for RRPTs and new shareholder mandate for additional RRPTs prior to its recommendation to the Board of Directors for approval.

5. Annual Report

Reviewed this ARMC Report and the Statement on Risk Management and Internal Control before recommending these to the Board of Directors for approval for inclusion in 2026 Annual Report.

6. Conflict of Interest ("COI")

Reviewed the disclosure of actual or potential COI, including interest in any competing business, submitted by the Directors and key senior management of the Company and its subsidiaries via the 'COI Declaration Form' to the Secretary, who then escalated the same to the ARMC for assessment, conflict management and/or mitigation on a quarterly basis.

In addition, all Directors and key senior management were required to make an annual declaration to ensure that any COI or potential COI had been appropriately disclosed during the financial year under review.

There were no COI identified based on the review undertaken and this was subsequently reported to the Board of Directors.

7. Environmental, Social & Governance ("ESG") Reporting

Received updates regarding developments in ESG reporting requirements, the implementation timeline applicable to the Group and management's ongoing preparations for compliance with the IFRS Sustainability Disclosure Standards.

INTERNAL AUDIT FUNCTION

The Group's internal audit function is carried out by the YTLIA, which provides assurance on the efficiency and effectiveness of the internal control systems implemented by management, and reports functionally to the ARMC of the Company.

Every YTLIA team member has confirmed that they are free from conflict of interest or any relationship that could impair their objectivity and independence as internal auditors.

The ARMC reviews annually the adequacy of the scope, function, competency and resources of YTLIA to ensure that it is able to fully discharge its responsibilities. Details of the resources and the qualifications of the Chief Audit Executive are set out in the Corporate Governance Report.

During the year, the YTLIA evaluated the adequacy and effectiveness of key controls in responding to risks within the organisation's governance, operations and information systems regarding:-

- reliability and integrity of financial and operational information;
- effectiveness and efficiency of operations;
- safeguarding of assets; and
- compliance with relevant laws, regulations and contractual obligations.

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The work of the internal audit function for the year under review include the following:-

1. Developed the annual internal audit plan and proposed the plan to the ARMC.

2. Conducted scheduled internal audit engagements, focusing primarily on the adequacy and effectiveness of internal controls and recommending improvements where necessary.

3. Conducted follow-up reviews to assess if appropriate action has been taken to address issues highlighted in previous audit reports.

4. Presented significant audit findings and areas for improvements to the ARMC for consideration on the recommended corrective measures together with the management's response.

5. Conducted RRPTs reviews to assess accuracy and completeness of reporting for presentation to the ARMC, and ensure compliance with the Listing Requirements.

6. Conducted discussions with management in identifying significant concerns and risk areas perceived by management for inclusion in the internal audit plan.

7. Conducted discussions with management to identify, analyse, assess and prioritise the internal and external corruption risks, for the purpose of establishing appropriate processes, systems and controls to mitigate the specific corruption risks exposure.

8. The Internal Audit Department has performed verification procedures over quantitative ESG data, including but not limited to energy and fuel consumption, water management and consumption, waste management (including scheduled and general waste), health and safety data (including employee health surveillance and training hours), and employee volunteering hours as part of community investment activities. The verification procedures were conducted at selected plants covering both the Cement and Aggregates & Concrete divisions. Any findings arising from the verification procedures have been duly addressed and amended, where appropriate, to reduce the risk of inaccuracies in the reported ESG data.

Costs amounting to RM596,702 were incurred in relation to the internal audit function for the financial year ended 30 June 2026.