BKI INVESTMENT COMPANY LIMITED

SINCE 2003

ABN: 23 106 719 868

28 August 2026

The Manager
Market Announcements Office
Australian Securities Exchange Limited
Level 27, 39 Martin Place
Sydney NSW 2000

ASX Announcement

Material Business Risk Disclosure

BKI Investment Company Limited (ASX: BKI) (BKI) advises that, following the release of BKI's 2026 Annual Report and subsequent correspondence with the Australian Securities and Investments Commission (ASIC) regarding the disclosure of material business risks in accordance with ASIC Regulatory Guide 247 *Effective disclosure in an operating and financial review*, BKI is releasing the attached Material Business Risk Disclosure.

The attached disclosure supplements the operating and financial review contained in BKI's 2026 Annual Report and provides further information regarding the material business risks that may affect BKI's financial performance and outcomes.

This announcement has been authorised by the BKI Board of Directors.

Business Overview - BKI Investment Company is a research driven, Listed Investment Company, investing for the long term in profitable, high yielding, well managed companies. Listed on the Australian Stock Exchange (BKI.ASX) with the equity portfolio managed by Contact Asset Management, an investment in BKI gives shareholders access to a diversified Australian equity portfolio.

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Corporate Objectives

BKI is a Listed Investment Company on the Australian Securities Exchange.

BKI aims to generate an increasing income stream for distribution to shareholders in the form of fully franked dividends to the extent of available imputation tax credits, through long-term investment in a portfolio of assets that are also able to deliver long term capital growth to shareholders.

Managed by Contact Asset Management at a competitively low cost, BKI aims to provide shareholders with a consistent income stream in the form of fully franked dividends.

Overview of Risk Framework

Board Oversight
The BKI Board of Directors retains ultimate responsibility for identifying, evaluating and managing material business risks.

Risk Appetite
BKI maintains a conservative risk profile, operating as a long-term value investor with zero financial leverage (no interest-bearing debt) and low expense overheads (Management Expense Ratio of 0.160%).

1. Market and Portfolio Value Risk

Material Business Risk

1. Macroeconomic Volatility - Fluctuations in interest rates (e.g., RBA cash rate movements), inflation, or economic slowdowns can suppress equity market valuations.

2. Asset Value Decline - Net Tangible Assets (NTA) backing per share is directly exposed to price swings in the underlying Australian equity portfolio.

BKI's Risk Management Controls

- Diversification across sectors (Financials, Materials, Energy, Consumer Discretionary, Consumer Staples, Utilities).

- Focus on high-quality, large-cap companies with dominant market positions and defensive earnings.

- Holding adequate liquid cash reserves ($86 million as of 30 June 2026) to manage volatility and fund investment opportunities.

2. Investment Income and Dividend Yield Risk

Material Business Risk

1. Investee Dividend Cuts - BKI's primary source of operating revenue is receiving ordinary and special dividends from investee companies. Reductions in earnings by key holdings (e.g., major banks or miners) directly reduce BKI's profit and cash flow.

2. Franking Credit Fluctuations - Reduced corporate taxation payments by investees would decrease franking credits passed through to BKI, affecting fully franked dividend distributions to shareholders.

BKI's Risk Management Controls

- Investment criteria strictly prioritise companies with stable earnings, sustainable payout ratios and balance sheet strength.

- Maintenance of significant Retained Profits and Franking Reserve balances to buffer dividend distributions across cyclical market downturns.

3. Stock Selection and Benchmark Underperformance Risk

Material Business Risk

1. Portfolio Underperformance - Poor stock allocation decisions by the Investment Manager could lead to BKI underperforming its primary benchmark (S&P/ASX 300 Accumulation Index) or peer LICs.

2. Concentration Risk - Over-allocation to specific underperforming stocks or single industry sectors.

BKI's Risk Management Controls

- Formal oversight by the Board, Investment Committee and Investment Manager over asset allocation and stock selection.

- In-depth fundamental, research-driven stock evaluation before capital allocation.

- Formal portfolio rebalancing (e.g, exiting positions like Suncorp and deploying capital into Westpac and Origin Energy or reducing position in Commonwealth Bank and deploying capital into BHP Group and Woodside Energy).

4. Key Person and Service Provider Operational Risk

Material Business Risk

1. Manager Dependency - BKI delegates portfolio management to Contact Asset Management. Loss of key investment personnel could disrupt strategy execution.

2. Outsourced Operations - Key administrative, share registry and custodial functions are outsourced; operational failures or cyber breaches at external vendors pose operational risks.

BKI's Risk Management Controls

- Structured Investment Committee framework ensuring portfolio continuity is not reliant on a single individual.

- Active Board monitoring of key service level agreements (SLAs), compliance reports and IT/cybersecurity safeguards of external service providers.

5. Regulatory, Legislative, and Tax Risk

Material Business Risk

1. Tax/Imputation Changes - Adverse changes to Australian tax law regarding franking credits or LIC capital gains tax treatments could lower net shareholder returns.

2. Regulatory Non-Compliance - Failure to comply with ASX Listing Rules, Corporations Act requirements or ASIC guidelines could result in financial penalties or reputational damage.

BKI's Risk Management Controls

- Ongoing engagement with auditors, tax advisors, corporate lawyers and industry bodies to monitor policy developments.

- Formal compliance tracking systems monitored by the Audit & Risk Committee, the Board and BKI's Auditors.