

STATEMENT OF INTERNAL CONTROL

Responsibility

The Board of Directors recognises the importance of sound internal controls and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Group's systems of internal controls and risk management, and for reviewing the adequacy and effectiveness of the control and risk management systems. It should however be noted that such systems of internal controls are only designed to manage rather than totally eliminate risk of failure to achieve business objectives. Accordingly, such systems can only provide reasonable rather than absolute assurance against material losses, misstatements or other significantly adverse consequences. In the case of the associated company, the systems of internal control are managed by the holding company.

Risk Management Framework

The Group has in place a formal risk management process to identify, evaluate and manage significant risks impacting the Group. The process is supported by a policy as well as detailed procedures, methodologies, evaluation criteria and documentation requirements to ensure clarity and consistency of application across the Group.

The process requires management to comprehensively identify and assess all types of risks in terms of likelihood and magnitude of impact as well as to identify and evaluate the adequacy and application of mechanisms in place to manage, mitigate, avoid or eliminate these risks. The process encompasses assessments and evaluations at business unit process level before being examined on a Group perspective.

At least once a year, a written report is presented to the Audit Committee on the significant risks impacting the Group and the measures taken by the management to address the risks. The report will also highlight residual exposures along with management action plan to manage or mitigate such exposures. Any internal or external changes that may significantly impact the risks and control spectrum will also be highlighted.

The Group's internal auditors are also required to provide an independent assurance on the adequacy of the risk management process and report accordingly to the Audit Committee. The Audit Committee will deliberate on the reports and advise the Board on significant risk exposures.

Control Structure and Environment

The embedded control system is designed to facilitate achievement of the Group's business objectives. It comprises the following:

- **Organisation structure with well defined lines of responsibility and delegated authority**

The organisation structure includes defined delegation of responsibilities to the Committees of the Board, the Chief Operating Officer and operating units through defined

sets of terms of references, position descriptions and authorisation levels for all aspects of the business as set out in the Board Charter and Limits of Authority. Besides the predominantly non-executive standing committees such as Audit, Nomination and Remuneration Committees, the Board is supported operationally by the Management Committee which consists of senior members of the organisation including the Chief Operating Officer. The Management Committee convenes regularly to meet its strategic business agenda thus channelling the appropriate inputs to the Board for its assessment of the Group's operations and the assertion of effective control over the entire operations.

- **Independence of the Audit Committee**

The Audit Committee comprises non-executive members of the Board, with the majority being Independent Directors. The Committee has full and unrestricted access to any information pertaining to the Group and has direct communication channels with the external and internal auditors. The primary objectives of the Audit Committee are to assist the Board in monitoring the Group's management of its business and financial risks and the determination of appropriate internal controls to manage these risks.

- **Comprehensive budgeting and monitoring processes**

Detailed and comprehensive budgets for both business and support units are prepared on an annual basis for approval by the Board together with an indication of future business directions under a two-year operating plan. Actual performance is monitored against the budget on a monthly basis and appropriate explanations documented for significant variances. Periodical forecasts are also carried out frequently to update changes in business environment. Management Accounts Packages detailing performance of business and support units against budget, forecast, prior year results and key business indicators are tabled and deliberated at the Management Committee and Board meetings for proper monitoring of performance.

Monitoring and Review

The processes adopted to monitor and review the effectiveness of the systems of internal control and risk management are through periodical review of business processes, the state of internal control and business risk profile by operating units. The results of the review will be examined by a team within the organisation and after due processes, the Chief Operating Officer will identify significant areas to be reported to the Audit Committee and finally to the Board.

Independent appraisals by internal auditors also ensure compliance with policies, procedures, standards and legislation and give reasonable assurance of the effectiveness of the Group's systems of internal controls and risk management.