DIRECTORS' STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROLS (DSORMIC)

Under Paragraph 15.26(b) of the Main LR of Bursa Securities, the Board of listed issuers is required to include a statement in their annual report a statement about the state of risk management and internal control of the listed issuer as a group.

TM's Board presents the following statement in line with the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, as endorsed by Bursa Securities.

This statement outlines the nature and scope of risk management and internal control within TM Group for the financial year under review. The Statement on Risk Management and Internal Control (SORMIC) is jointly endorsed by the BRIC and the BAC.

RESPONSIBILITY AND ACCOUNTABILITY

The Board

The Board is committed to establishing and overseeing the Group's risk management framework and internal control systems. Guided by the Group's risk appetite, the Board ensures these systems operate within acceptable tolerance levels to achieve the Group's goals and objectives, even in a dynamic and challenging business environment.

The Board regularly reviews the effectiveness and adequacy of the framework by identifying, assessing and monitoring key risks to safeguard shareholder investments and protect the Group's assets.

Risk management and internal control are overseen by the BRIC and the BAC.

Board Risk and Investment Committee (BRIC)

The BRIC's primary role is to assist the Board in ensuring a robust ERM framework and its effective implementation, strengthening the Group's corporate governance practices. It focuses on identifying, assessing and monitoring key business and investment risks.

The BRIC serves as the oversight platform for discussing these risks and the associated control implementations.

The Terms of Reference (ToR) and primary duties of the BRIC regarding risk management are incorporated in the Board Charter, which is accessible on the company's official website at www.tm.com.my.

Board Audit Committee (BAC)

The primary responsibility of the BAC is to assist the Board in assessing the effectiveness of the Group's internal control structure and review of the financial reporting. To fulfil this role the BAC:

- Reviews the adequacy and integrity of the Group's internal control systems and management information systems' adequacy and integrity, including compliance with applicable laws, rules, directives and guidelines through the GIA function.

- Reviews and provides oversight on the Group's management of investigations and prosecutions, fraud and disciplinary issues, ethics, integrity principles and whistle-blowing processes through the GIG function.

- Both the GIA and GIG report directly to the BAC.

The BAC's ToR is stipulated in the Board Charter, accessible on the Company's website. The primary duties of the BAC in assessing the adequacy and effectiveness of the internal control systems implemented within the Group are elaborated on pages 191 and 194.

Other Board Committees, such as the NRC and Tender Committee, have been established with clearly defined duties and responsibilities to oversee various key business activities within the Group.

The Board acknowledges its ultimate responsibility for all actions taken by these committees in executing their delegated roles, including the outcomes of the review and disclosure of key risks and internal control systems in this IAR.

Management

Management is accountable to the Board and is responsible for proactively implementing processes to identify, evaluate, monitor and report risks, along with evaluating the effectiveness of internal control systems. They ensure timely corrective and appropriate actions are taken as required and assure the Board that the Group's risk management and internal control systems are operating adequately and effectively in all material aspects, based on the ERM framework and internal control systems adopted by the Group.

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In respect of risk management, Management has proactively implemented the necessary processes to:

- Identify and analyse the risk appetite relevant to the business and determine the appropriate level of risk tolerance towards achieving the Group's objectives and strategies.

- Design, implement and monitor the ERM framework according to the Group's strategic vision and overall risk appetite.

- Identify changes to risks or emerging risks, take appropriate actions and promptly bring these to the Board's attention.

ENTERPRISE RISK MANAGEMENT (ERM)

ERM Framework

ERM remains a vital component of organisational governance, ensuring that all inherent and emerging risks are thoroughly assessed, mitigated and monitored, thereby safeguarding the Group's interests.

TM adopted the ISO 31000:2018 Risk Management Standard, which provides a comprehensive framework for identifying, evaluating, managing and monitoring significant risks. This alignment with industry best practices ensures that TM's ERM process is robust and effective.
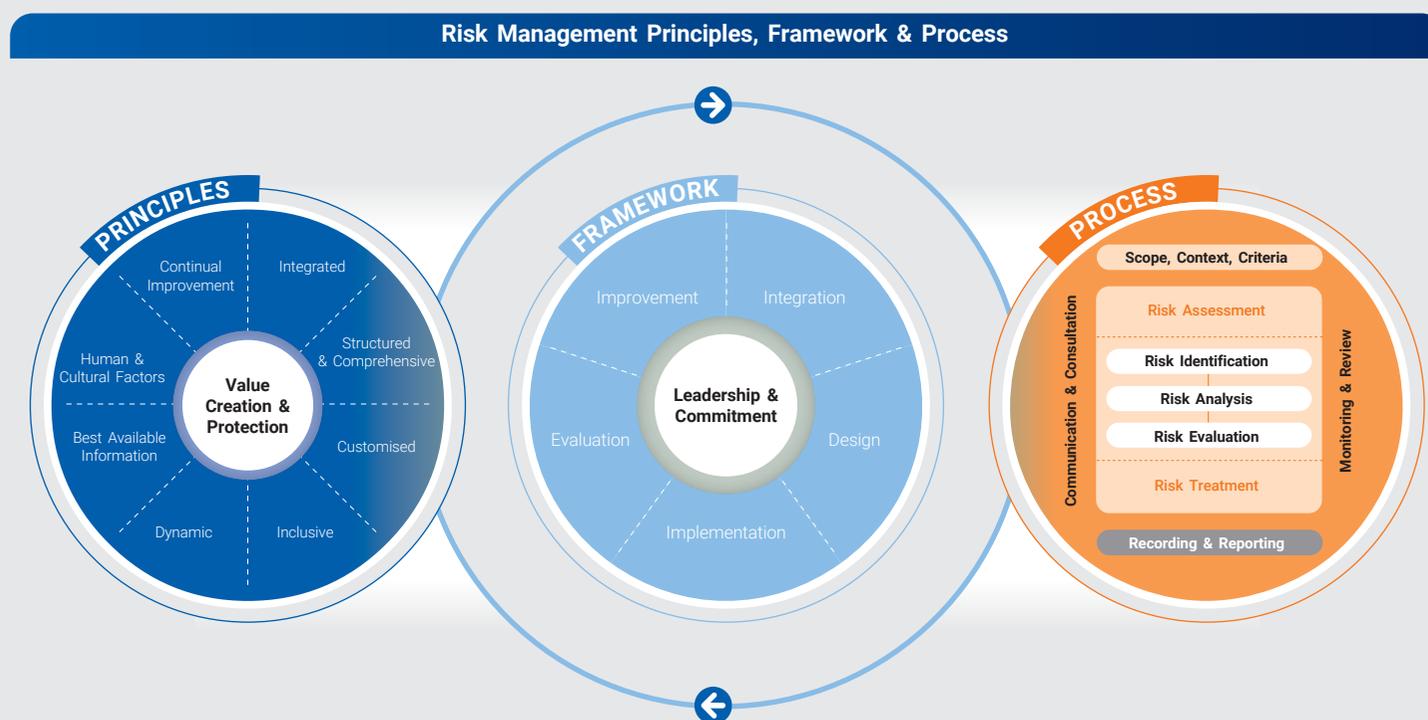
Figure 1: *ISO 31000: 2018 Risk Management Standard – Risk Management Principles, Framework & Process*

Throughout the year, TM has progressively implemented ERM practices across the organisation and its subsidiaries to support the execution of business strategies and operations.

TM Group Risk Governance Structure

TM Group's Risk Governance Structure spans the entire organisation, from the Board to all operational levels, ensuring thorough risk oversight and proactive management.

Material Risks are consolidated from all divisions to the MC and escalated to the BRIC and Board. Using a group-wide approach, leaders evaluate and approve top risks, including Corporate Risks, via the BRIC platform.

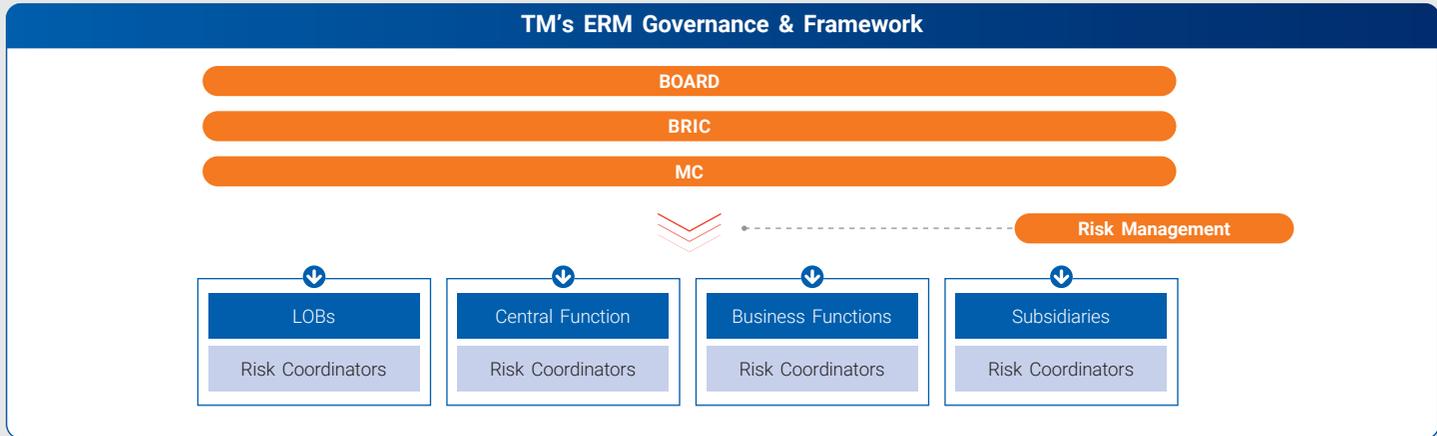# DIRECTORS' STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROLS

Figure 2: *TM Group Corporate Structure*

- **Risk Coordinators** are appointed at every LOBs, Central Function, Business Functions and Subsidiaries. Their primary role is to spearhead the coordination of risk management activities and controls group-wide, including regional and states, fostering a culture of excellence in risk-based decision-making.

- **HODs** play a crucial role in this structure. They are responsible for instituting and implementing ERM discipline within their respective areas, ensuring strong accountability in risk management practices and integration of risk management into daily operations.

TM Corporate Risk Management Policy and Risk Appetite Statement

TM is committed in maintaining a risk-based internal controls system that provides reasonable assurance in achieving the Group's strategic goals. These include sustainable growth, resilience and alignment with the PWR 2030 vision of becoming a Digital Powerhouse. This commitment safeguards shareholder value and drives transformative value for stakeholders through effective risk management aligned with TM's risk appetite.

TM Group Risk Appetite

- TM Group strives to deliver shareholder value through sustainable growth without compromising our integrity, ethical values and reputation by continuously upholding our brand promise, best customer experience, maintaining a resilient network, compliance to regulations and fostering a safe and healthy working environment for TM's workforce.
- TM Group will defend, improve and expand our market position in Malaysia and selected international markets through sound risk management practices.
- TM Group will assess and pursue new growth opportunities aligned with evolving industry dynamics and market conditions.
- TM Group is dedicated to leading industry growth through innovation and efficiency within risk management framework that addresses emerging technologies, regulatory changes and sustainability challenges.

The Corporate Risk Appetite is effectively communicated and integrated at all operational levels, fostering comprehensive risk assessment and management. This is achieved by evaluating both the likelihood and impact of risks. By aligning with the organisation's overall risk tolerance, it ensures consistent and effective risk management across the entire organisation.

INTERNAL CONTROL

The Board acknowledges that the internal control systems are designed to manage and reduce risks that may hinder the Group from achieving its goals and objectives. These systems provide reasonable assurance against material misstatements, including those related to financial information, business, operational, environmental, compliance, financial losses and fraud. Embedded within the Group's operations, these systems serve essential business purposes.

These systems are designed to manage rather than eliminate the risk of failure to achieve business objectives. It can only provide reasonable and not absolute assurance against material misstatement or losses.

Developed based on the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Internal Control-Integrated Framework, the internal controls are regularly reviewed by the Board to ensure their adequacy and integrity, considering changes in regulations, laws or the business environment.

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Governance:

Group Organisation Structure

The Group has clearly defined lines of responsibility and authority to facilitate prompt responses in a dynamic business environment, adequate supervision of day-to-day business conduct, timely resolution of audit issues and accountability of the internal controls. These include a formal organisation structure and establishing a LoA matrix that clearly outlines the Board and Management's approval limits across various key processes. The LoA is duly approved by the Board and is subject to regular review and enhancement to ensure it reflects changes in accountability and the Group's evolving risk appetite.

Annual Business Plan and Performance Monitoring

Annual business plans are prepared by TM's Business Clusters and all major operating subsidiaries. These plans are presented to the Board for approval. Actual performance is reviewed against the targeted results on a monthly basis, allowing for timely response and corrective action to be taken to mitigate risks. The Board reviews regular reports from the Management on key operating statistics, as well as legal or regulatory matters that may arise.

Strategic Theme and Business Direction

TM aspires to become a Digital Powerhouse by 2030, guided by its PWR strategy. While defending and growing its core business remains critical, TM is also focused on expanding beyond connectivity by building platform ecosystems that drive future growth. With a strong foundation in next-gen infrastructure, AI-powered data centre, sovereign clouds and robust cyber security, TM's next focus is developing a platform ecosystem that delivers digital solutions, enabling customers to host their applications and services. Powered by TM's robust network and platform ecosystem, this will enable Malaysia to become a regional digital hub in future.

Product Governance Framework

The Product Governance Framework has been established to govern and oversee the business value creation related to product creation and management, ensuring alignment with TM's strategic vision.

Procurement Policy

TM's procurement policies and processes govern the entire procurement value chain, defining authority limits and accountability for employees and business partners. Aligned with ISO 37001 (Anti-Bribery Management System), TM ensures ethical, transparent and sustainable practices while leveraging digital transformation to improve efficiency.

TM's procurement activities focus on three (3) key principles: Value Creation, Sustainability & ESG Integration and Digital Transformation.

Policy, Manual and Procedures

TM's Business Policy & Governance (BPG) outlines key policies and governance structures, with defined process owners responsible for their development, periodic review and compliance to the BPG. These policies also establish detailed procedures and guidelines to ensure effective implementation, operational consistency and alignment with regulatory requirements and best practices.

Insurance and Physical Safeguards

The Group has adequate insurance and physical safeguards in place to protect significant assets, minimising the risk of material loss against any mishap.

Corporate Committees

The Group operates three (3) key Corporate Committees—MC, Business Operations Council (BOC) and Technology Committee (TechCom)—which provide timely guidance and decision-making within their respective domains. Roles and authority levels are clearly defined to ensure effective business execution with appropriate controls.

MC focuses on strategic and policy matters, while BOC and TechCom handle operational performance, execution and deployment in areas of business and technology.

Best Practice Committee (BPC)

The BPC, a Management Committee reporting to the BAC, reviews and discusses updates on financial performance and completeness, listed issuer compliance, policies, best practices, corporate governance and changes in statutory and regulatory requirements.

Business Continuity Management (BCM)

The BCM Steering Committee, chaired by the GCEO, drives the implementation of a comprehensive BCM programme to enhance service reliability and resilience. The programme identifies potential threats to the Group and their impact on business operations and customer experience. The BCM framework, aligned with ISO 22301:2019, builds organisational resilience and ensures a robust response mechanism to protect stakeholders, brand reputation and value-creating activities.

Recording to Reporting (R2R) Framework

The R2R Framework enhances the integrity and transparency of financial reporting by systematically identifying and addressing non-compliance through systematic monitoring and escalation. It instils a culture of compliance and ensures the accuracy and completeness of financial reports, aligned with relevant standards.

Procurement Compliance Committee (PCC)

The PCC ensures the effective implementation of procurement consequence management, ensuring compliance with policies, procedures and authority limits. Procurement personnel must report non-compliance and the PCC is responsible for addressing compliance issues and determining appropriate consequence actions.

DIRECTORS' STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROLS

⮕ TM Sponsorship Management Guidelines

These guidelines outline the procedures for managing sponsorships, donations, gifts and hospitality, ensuring that objectives are met while minimising potential risks. Sponsorships aim to support business growth, technology advancement, people development and nation-building and, where applicable, enhance the TM brand through the outcomes of these activities.

⮕ Management Information Systems

TM Group uses key information systems to support operations, ensuring effective communication with stakeholders. These systems are governed by the TM IT Policy and Enterprise Architecture Standard, which regulate access and monitor usage. Business processes guide IT services, aligned with international standards and best practices to maintain competitiveness. Continuous training ensures compliance and risks are proactively managed and updated quarterly to the BRIC.

⮕ TM Cyber Security Management

- **Information Security Governance and Certifications**

  TM conducts continuous assessments to ensure compliance with security requirements for TM's Mission Critical (MC) and Business Critical (BC) services. These assessments focus on systems that store Personally Identifiable Information (PII) and public-facing systems, aligning efforts with the Cyber Security Act 2024 to strengthen defences and maintain cyber security standards.

  TM has obtained certifications in Information Security Management Systems (ISMS), BCMS and PCI DSS. These certifications cover cloud services, network operations and IT systems/applications, ensuring the protection of digital assets and customer trust.

  A comprehensive cyber security risk assessment was conducted to identify and mitigate potential threats to TM's digital infrastructure, reinforcing stakeholder trust and ensuring operational resilience.

⮕ Technology Uplift

To mitigate security risk at endpoints, TM implements the following controls, prioritising key businesses, critical assets and business data:

i. Enhance Endpoint Control – mitigating security risks at endpoints, focusing on MC/BC servers, admin devices, user devices and shared terminals.

ii. Fortify Identity and Access Control – protecting user access, securing the Active Directory and improving staff experience when accessing applications in TM.

iii. TM's public-facing Web/Applications Protection – using Web Application Firewall (WAF) to reduce the attack surface and minimise PII data exposure.

⮕ Cyber Security-Focused People Development

TM has launched programmes to raise awareness amongst *Warga TM* about social engineering threats and test TM's cyber resilience. These initiatives measure the ability to detect and respond to security incidents, focusing on developing security capabilities among lead software developers.

TM's Information Security team has conducted email phishing simulations and collaborated with GP at the TM Supplier Summit 2024 to enhance cyber security awareness among partners. Additionally, partnerships with Unifi at the TM X Summit, D-Savvy Series sessions and live demos during Bersama GCEO further strengthened cyber security awareness among TM staff.

⮕ Third Party Information Security Requirements

To fortify TM's defences against third-party risks, stringent security requirements are embedded at every touchpoint:

i. The Supplier Onboarding Process requires all security criteria are met to ensure only trusted partners are engaged.

ii. Robust cyber security clauses and requirements are integrated into the technical specifications of all IT and network solutions.

iii. Vendor Security Index (VSI) assesses and measures the key aspects of vendors' cyber security hygiene to maintain high-security standards.

Integrity:

The Group's commitment to upholding integrity in all operations is reflected in the following initiatives:

⮕ TM Code of Conduct & Business Ethics (CBE) and Anti-Corruption Guide (ACG)

TM adopts a Zero-Tolerance policy with a top-down approach against all forms of corruption. This policy outlines TM's commitment to ethical business practices, explicitly prohibiting bribery and corruption. The ACG details TM's policies and procedures, reinforcing the company's zero-tolerance approach.

⮕ TM CBE e-Learning

To ensure comprehensive coverage and leverage technology in line with a Digital Malaysia, GIG launched the CBE e-Learning programme. This interactive platform teaches employees how to demonstrate integrity in their daily work through interactive learning videos and real-life case scenarios. In 2024, over 17,000 employees (99% of the total workforce) completed the final phase of the programme.

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Awareness and Communication Snippets

i. Ongoing awareness sessions on CBE and Corporate Liability S17A are conducted for TM employees and business partners. In 2024, Corporate Integrity and Governance Unit conducted various awareness sessions nationwide and high-risk units/functions like GNT, Unifi, GIS, GITD and MMU, including Unifi Stores.

ii. Regular communication snippets on ethical policies, laws and guidelines are published in English and Bahasa Malaysia to enhance understanding of TM's CBE provisions and corruption offences. Topics include "Integrity Starts Within You", "Do not share your ID & Password", "Donation & Sponsorship – Doing the Right Thing", "Abuse of Power/Position" and "Understanding Corporate Liability Section 17A MACC Act 2009".

Organisational Anti-Corruption Plan (OACP)

The OACP was developed by analysing internal and external data to identify corruption-related risks and their root causes. It strengthens the controls and monitoring of corruption, integrity and governance risks, ensuring compliance with Section 17A of MACC Act 2009. In 2024, 110 action plans were recorded based on risk assessment. The GIG team constantly monitors and tracks the implementation status and provides quarterly reports to the BAC.

TM Integrity Day 2024

The annual TM Integrity Day (TMID) 2024 demonstrated TM's unwavering commitment to fostering and strengthening a culture of integrity, transparency and accountability. Guided by the theme "Uncompromising Integrity", the event united TM employees, business partners and key stakeholders to reaffirm the values that define TM's corporate identity and dedication to good governance.

TM reaffirmed its unwavering commitment to integrity and anti-corruption through an essential courtesy visit to the MACC Headquarters in Putrajaya. Led by TM GCEO, the delegation met with MACC Chief Commissioner Tan Sri Dato' Sri Haji Azam Baki to explore strategic collaboration opportunities for strengthening anti-corruption efforts within TM as a trusted Corporate entity.

MS ISO 37001:2016 Anti-Bribery Management System (ABMS)

TM has adopted MS ISO 37001:2016 to strengthen its anti-bribery compliance programme, ensuring effective detection, prevention of corruption. There are 17 ABMS coordinators overseeing divisions and 68 certified Lead Auditors to maintain the system. Since 2021, TM has achieved 100% certification compliance, covering HQ and high-risk divisions nationwide, underscoring its commitment to governance and integrity.

Declaration of Assets & Interest (DOA) and Integrity Pledge (IP)

The Annual DOA ensures transparency and mitigates conflict of interest, reinforcing a culture of integrity. All TM employees complete this declaration annually, declaring their updated status in terms of external employment, business involvement and family members' business dealings with TM or affiliations with TM's competitors. It aligns with the TM's CBE, demonstrating TM's unwavering commitment to ethical practices and transparency.

Whistle-Blowing Policy

TM and its Board are committed to a robust whistle-blowing policy that allows employees, suppliers and third parties to report actual or suspected malpractice, misconduct or policy violations safely and confidentiality via TM Ethics Line.

Integrity, Governance and Anti-Corruption Award (AIGA)

TM's commitment to anti-corruption practices, integrity and good governance was recognised with the Highest Gold Category in the Integrity, Governance and Anti-Corruption Award (AIGA) 2023 by the Institute of Integrity Malaysia (IIM) on 29 February 2024.

Fraud Management

TM monitors and investigates telecommunications fraud through its Fraud Management System. Over the years, fraud losses have been significantly reduced, with TM's Telco fraud loss accounting for less than 0.01% of its revenue.

To strengthen controls, TM collaborates with process and product owners to review fraud prevention elements within upstream processes, including product assessments, authority limits, segregation of duties and transaction-level procedures. For non-telecommunications fraud, TM promotes a culture of integrity among employees and raises awareness of their accountability in upholding ethical standards. Stern disciplinary action is taken against employees involved in fraud.

Putting People First:

Human Capital Policy & Framework

TM's Human Resource Policies provide clear guidelines for managing human capital. We focus on enhancing employees' skills through targeted learning programmes, particularly in Digital Learning, to bridge skill gaps and build a future-ready workforce. Succession planning ensures a strong talent pipeline and leadership development aligned with business needs.

As part of TM's goal to become a Digital Powerhouse by 2030, the Culture Statement defines the behaviours and values expected from all employees. It forms the foundation for a culture of innovation, agility and collaboration, driving TM's success in the digital era. The "Spark the PWR" programme empowers employees to embrace these values and lead positive change within the organisation.

DIRECTORS' STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROLS

➡ Occupational Safety, Health & Environmental (OSHE) Policy

TM is committed to supporting a Digital Malaysia while ensuring a safe, healthy and environmentally sustainable workplace for employees, contractors, visitors and others. The company adheres to legislation and proactively works to prevent health hazards and injuries. TM fosters a culture of high environmental standards, pollution prevention and property protection, supported by ongoing education, training and continuous improvement in the OSHE management system.

Protecting the Planet:

➡ Sustainability Management Function

TM integrates sustainability-related risks into its group-wide ERM framework, enabling a comprehensive view of sustainability-related challenges. With a structured sustainability management and risk framework in place, TM progressively assesses the current and emerging sustainability risks such as carbon emission, supply chain, labour standard, customer experience & privacy, safety & health and social well-being.

TM continues to advance its sustainability agenda by optimising opportunities while minimising associated risks. In 2024, TM implemented key improvements, including the Sustainability Policy, Environmental Management Policy and Sustainable Supply Chain Policy. These initiatives aim to drive sustainable growth while minimising risks. The Sustainability Committee, made up of top management, oversees the execution of TM's Sustainability Framework and Integration Plan.

🅸🆁 For detailed sustainability initiatives and the implementation plan, refer to the Sustainability chapter on pages 110 to 163.

INTERNAL AUDIT

GIA is an in-house internal audit function reporting to the BAC, providing risk-based and objective assurance, advice and insights designed to enhance and protect organisational value. It supports the Group's objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of ERM, controls and governance processes.

During the financial year, GIA continuously provided assurance on matters related to governance and internal controls. It also assessed the effectiveness and efficiency of the governance, ERM framework along with internal control systems, offering recommendations for improvement. The Management then followed through and reviewed the status of actions taken based on the internal auditors' recommendations.

Audit reviews are conducted based on a risk-based approach, aligned with the Group's objectives, policies and the evolving business and regulatory environment, with input from the Senior Management and the Board.

🅸🆁 Further information on Internal Audit is provided on pages 235 and 236 of this Integrated Annual Report.

ADEQUACY AND EFFECTIVENESS OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

In the 2024 Risk Management and Internal Control Self-Assessment Survey, TM Leaders affirmed the effectiveness, integrity of their division's risk and control framework. This strong endorsement underscores TM's commitment to a risk-based decision-making culture, with divisional heads demonstrating accountability and responsibility for risk management.

The GCEO and GCFO have provided reasonable assurance to the Board that the Group's risk management framework and internal control systems are operating effectively and adequately during the financial year under review. Taking into consideration the Management's assurance and input from the relevant assurance providers, the Board believes that the risk management framework and internal control systems are satisfactory and adequate to safeguard shareholders' investments, customers' interests and the Group's assets without leading to any material losses, contingencies or uncertainties. It is important to note that TM's internal control systems do not apply to its associate companies, which fall within their majority shareholders' control.

Nonetheless, TM's interests are served through representation on the Board and Senior Management posting(s) to the various subsidiaries and through the review of management accounts received. These mechanisms provide the Board with performance-related information to enable informed and timely decision-making on the Group's investments in such companies.

REVIEW OF THE STATEMENT BY THE EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Bursa Securities' Main LR, the external auditors have reviewed this Statement on Risk Management and Internal Controls. Their limited assurance review was performed following the Malaysian Approved Standard on Assurance Engagements, ISAE 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information and Audit and Assurance Practice Guide 3, Guidance for Auditors on Engagements to Report on the SORMIC included in the Annual Report issued by the MIA. AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control systems.

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STATEMENT OF INTERNAL AUDIT (SIA)

Group Internal Audit (GIA) supports TM Group in achieving its business objectives by implementing a systematic and disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes. GIA provides independent and objective assurance and consulting services to enhance and protect organisational value. The internal audit charter, approved by the BAC defines GIA's purpose, authority and responsibility.

GIA, headed by the Chief Internal Auditor (CIA), reports directly to the BAC to preserve its independence and objectivity while ensuring audit personnel are free from any relationships or conflicts of interest that could impair their objectivity and independence. Additionally, the CIA has an administrative reporting line to GCEO, which enables the requisite stature and authority of Internal Audit to effectively fulfil its responsibilities.

The CIA's detailed background is available in the "Profile of Senior Leadership" section of this annual report.

BAC reviews and approves GIA's annual audit plans, budget and human resources requirements to ensure that the necessary competencies and resources are in place to effectively support audit functions aligned with the Group's objectives. The CIA regularly reports to the BAC on GIA's activities, as well as key strategic and control issues. In addition to the above, the BAC approves and reviews GIA's and the CIA's performance to observe their progress and achievements.

PRACTICES & FRAMEWORK

GIA is guided by the internal policies, procedures and framework, as well as the Internal COSO and Control Objectives for Information and Related Technology (COBIT) in assessing and reporting on the adequacy, effectiveness and efficiency of the Group's overall internal control system, risk management and governance.

GIA adopts the International Professional Practices Framework (IPPF)® and its mandatory elements, including the Core Principles for the Professional Practice of Internal Auditing, International Standards for the Professional Practice of Internal Auditing as well as the definition of Internal Auditing and Code of Ethics to effectively and efficiently execute the audit engagements.

SCOPE & COVERAGE

GIA continues to adopt the risk-based audit plan approach in formulating the annual audit plan, considering TM's strategic objectives, risk profiling and input from the BAC and Senior Management. This is to provide independent assurance to the Board that the audit plans are prioritised based on the Group's strategies, objectives and key risk areas.

Based on the audits carried out in FY2024, among the key risks identified are as follows:

- **Governance and Compliance:** Assessing adherence to policies and identifying opportunities for improvement in key areas such as financial and Capex management, procurement, workforce optimisation, asset management and state operations.
- **IT Governance and Cybersecurity:** Addressing risks related to personal device usage, access controls, TM's critical applications and evaluating the effectiveness of physical and logical security measures against threats, as assessed through a red teaming exercise.
- **Ecosystem Evaluation:** Reviewing the ecosystem that drives revenue and cost management within the LOBs, including team setup effectiveness, states management, sales campaigns, vendor/contractor performance and order & inventory management.
- **Product Strategy and Management:** Evaluating the strategy, planning, development and management of key products such as Unifi Mobile, cloud services, data centres and submarine cable monetisation.
- **Project and Service Delivery:** Monitoring and managing TM's major projects, services and systems, encompassing processes, IT systems, network infrastructure and people capabilities.

All internal audit reports with significant improvement opportunities were presented to the BAC for deliberation, while other reports were included in the quarterly reporting to the BAC. Each audit finding is supported by GIA's recommendations and relevant feedback from Management is obtained to ensure proper issue resolution. As part of the audit process, GIA continuously monitors and validates the implementation of management actions to address audit issues on a monthly basis.

INTERNAL AUDIT QUALITY

The CIA develops and maintains a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of internal audit activities. The QAIP continues to be used to assess the quality of the audit processes against international standards set by the IIA. The internal assessment is performed annually by an independent internal quality assurance team under the direct supervision of the CIA. The QAIP results are tabled to the BAC. As required by the standards, the external assessment is conducted at least once every five (5) years by a qualified and independent external assessor.

STATEMENT OF INTERNAL AUDIT

As part of its Quality Assurance, GIA maintains a 3-tier quality review mechanism incorporating subject matter experts as peer reviewers to ensure relevant, reliable and sufficient assessment to support audit engagement results and conclusions. This assurance review process ensures that the internal auditors adequately assess all risk areas before communicating the final engagement results to the Management and BAC.

GIA continues to optimise the Audit Management System and has established a dedicated Data Analytics Team to support auditors in data analysis coverage and enhance the quality of validation.

This indicates that GIA manages reasonably well in meeting governance objectives, ensuring audit plans are risk-based and periodically reviewed, putting in place adequate policies and procedures, using audit management systems and data analytic tools in performing audits, supervising work quality, communicating audit results, following up on audit issues and reporting to the Audit Committee on the implementation status, applying and declaring adherence to IIA's code of ethics.

RESOURCES

The cost of internal audit activities in 2024 amounted to RM9.5 million (2023: RM8.16 million), which includes expenses for co-sourcing services with external parties in areas such as cyber security audits, which require specialised skills. The internal audit activities in FY2024 were executed by 44 internal auditors from various educational backgrounds such as Engineering/Network, Accounting/Finance, Information Technology and Business Administration.

PROFESSIONAL QUALIFICATION & CONTINUOUS COMPETENCY DEVELOPMENT

GIA will continue to position the internal audit division as a training ground for future business leaders. In maintaining a highly adaptive audit function, there is a need to invest in upgrading the knowledge and skills of the auditors through continuous development and training. Based on a survey conducted in November 2024, each auditor is benchmarked against the IIA Audit Competency Framework to identify their knowledge and skill gaps and undergo targeted training to address these gaps. Auditors are also exposed to areas such as entrepreneurship, strategic business and operations, innovation and risk management, among others.

The internal auditors are encouraged to obtain appropriate professional certifications and qualifications. As of 31 December 2024, 22 internal auditors hold a total of 39 professional certifications and qualifications, including CiA, CISA and ACCA.

GIA commits to continuously strive to improve the proficiency and effectiveness of its service as stipulated in the Internal Audit Charter. These are accomplished through the following:

- Involvement of auditors in the identified areas, such as strategic initiatives, leadership and communication, business acumen sharing sessions, data analytics, sustainability, IT/Digital and cyber security.
- Developing future leaders with advanced expertise in multi-disciplinary areas and acute analytics and critical-thinking skills and capabilities.
- More focus and comprehensive audit coverage to assess emerging risks with regard to digitalisation and automation in TM.
- Leveraging on analytics into the auditing processes for fast turnaround time.
- Collaboration with L&D, GHCM for the participation of identified auditors in Leadership Trainings i.e. LEAD, Aspire and Catalyst.

In summary, GIA continues to strengthen its processes and approaches to ensure comprehensive audit coverage. Key strategies implemented by GIA include workforce realignment and continuous upskilling of auditors. The GIA organisational structure is portfolio-focused, which supports talent development within GIA and enables the auditors to have adequate exposure to perform audits across the entire TM value chain.

Hawaby Sultan Muhamad
Chief Internal Auditor

Datuk Bazlan Osman
Chairman, Audit Committee