

Directors' Statement on Risk Management & Internal Controls

Under Paragraph 15.26(b) of the Main LR of Bursa Malaysia Securities Berhad (Bursa Securities), the Board of Directors of listed issuers is required to include 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 of Directors ("Board") is pleased to provide the following statement that has been prepared in accordance with the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed issuers endorsed by Bursa Securities, which outlines the nature and scope of the risk management and internal control within TM Group during the financial year under review. SORMIC is jointly endorsed by the BRC and Board Audit Committee (BAC).

RESPONSIBILITY & ACCOUNTABILITY

The Board

The Board is responsible for establishing and overseeing the Group's risk management framework and internal control systems, guided by the Group's risk appetite to ensure alignment within acceptable tolerance levels. This aims to achieve the Group's goals and objectives in generating returns for shareholders. The Board periodically reviews the effectiveness and adequacy of the framework and systems by identifying, assessing, monitoring and communicating key risks to safeguard shareholders' investment and the Group's assets.

The two (2) Board committees that have primary risk management and internal control oversight responsibilities are:

1 Board Risk & Investment Committee (BRIC)

The primary responsibility of the BRIC is to assist the Board in ensuring a robust ERM framework and its effective implementation, thereby enhancing the Group's corporate governance practices. This involves a concentrated focus on risk issues through the identification, assessment and monitoring of key business and investment risks. In 2023, recognising the growing importance of sustainability/ESG, as well as heightened risk profiles of Cyber Security, Regulatory Policy Shift, Mobile and IT and Digital Resilience, these subjects continue to take centre stage on the Board's agenda. The BRIC serves as the oversight platform to engage in discussions concerning these risks and the associated control implementations.

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

2 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 achieve this, the BAC:

- ⊕ Reviews the Group's internal control systems and management information systems' adequacy and integrity, including compliance with applicable laws, rules, directives and guidelines through the Group Internal Audit (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 Group Integrity & Governance (GIG) function.
- ⊕ GIA and GIG report directly to the Board Audit Committee.

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 188 to 190.

Other Board Committees, such as the Nomination and Remuneration Committee (NRC) and Tender Committee, are also established with clearly defined duties and responsibilities to oversee various key business activities involved within the Group.

The Board acknowledges that it remains responsible for all the committees' actions regarding the execution of the 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 responsible for implementing the processes of identifying, evaluating, monitoring and reporting risks and the effectiveness of internal control systems, taking appropriate and timely corrective actions as required. The Management has assured 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. In respect of risk management, the Management has implemented the necessary processes to:

- ⊕ Identify and analyse the risk appetite relevant to the business and determine the level of risk tolerance towards the achievement of the Group's objectives and strategies;
- ⊕ Design, implement and monitor the ERM framework according to the Group's strategic vision and overall risk appetite; and
- ⊕ Identify changes to risks or emerging risks, take appropriate actions and bring these promptly to the Board's attention.

ENTERPRISE RISK MANAGEMENT

ERM Framework

ERM remains an integral part of the organisational governance processes, ensuring all inherent and emerging risks are assessed, mitigated and monitored to safeguard the Group's interests.

TM has adopted the ISO 31000:2018 Risk Management Standard, which serves as a guideline for identifying, evaluating, managing and monitoring significant risks by the Group to align its ERM process with industry best practices.

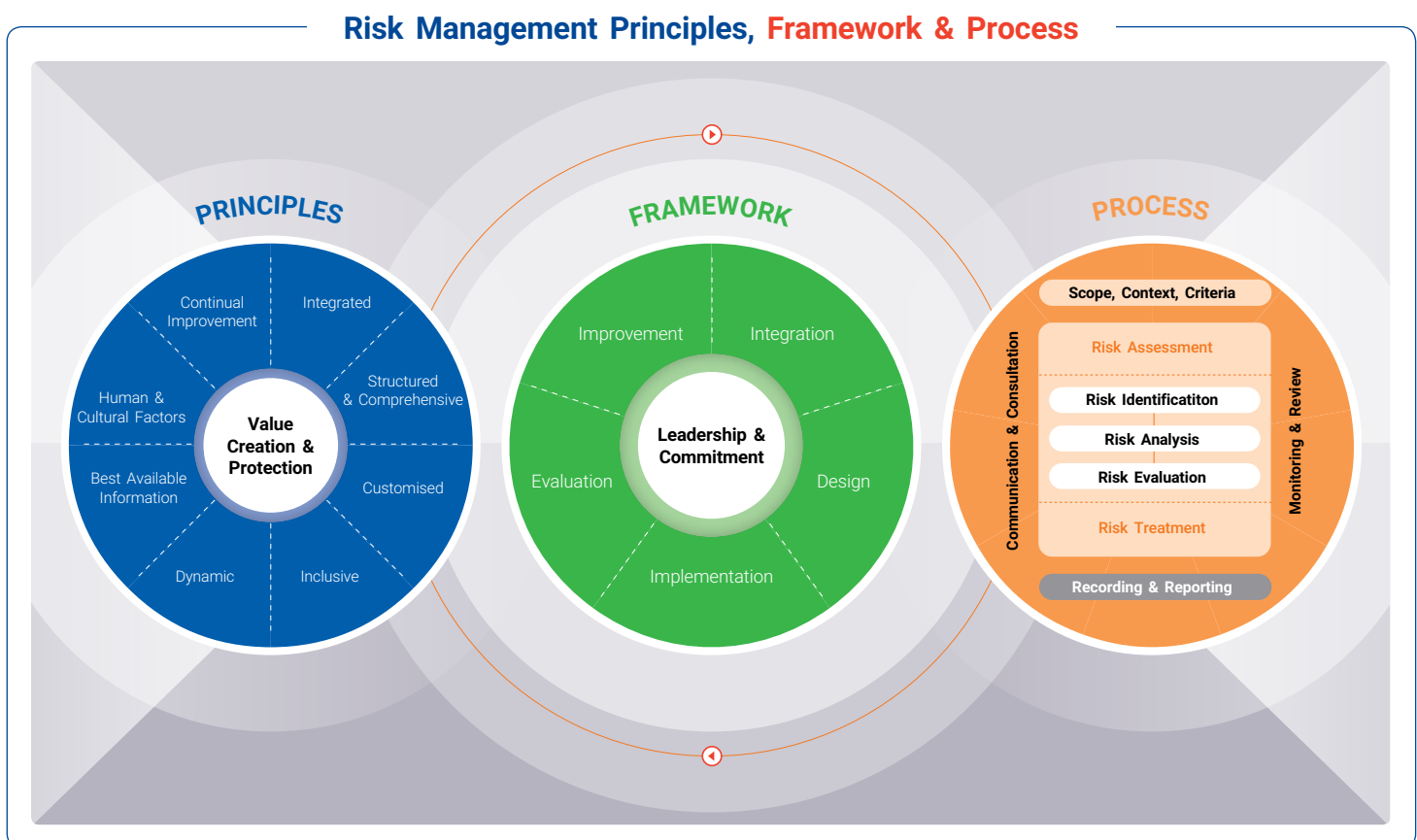


Figure 1: ISO 31000: 2018 Risk Management Standard – Risk Management Principles, Framework & Process

The ERM practice has been progressively implemented throughout TM, including its subsidiaries, to support the execution of business strategies and operations.

Directors' Statement on Risk Management & Internal Controls

TM's ERM Governance & Framework

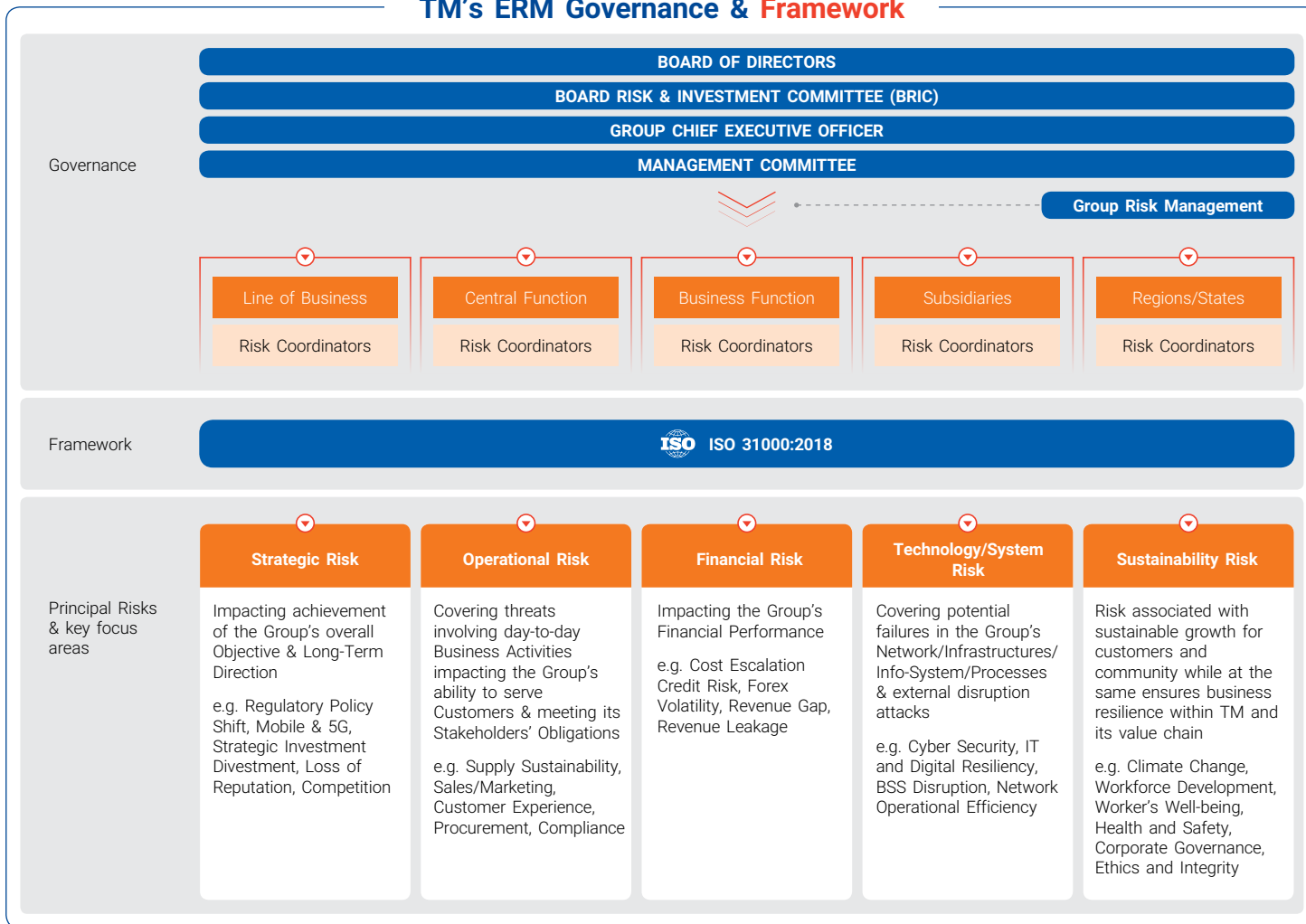


Figure 2: TM's ERM Governance & Framework

TM's ERM structure spans the entire organisation, from the Board to all levels of operations. Through such governance and framework, material risks are consolidated from all customer-facing business units to the MC and escalated up to the BRIC and Board. Applying a TM Group-wide perspective, leaders will evaluate, scrutinise, warrant further exploration and approve the top risks (including Principal Risks) through the BRIC platform.

There are appointed Risk Coordinators at every LoB, central function, business function, subsidiary and region/state. Their primary role is to lead the coordination of risk management activities with an aspiration to build a risk-based decision-making workforce, together with strong accountability and responsibility from the respective Heads of Divisions to ensure the discipline is successfully instituted. The outcome is reflected through the encouraging feedback from the 2023 TM's Risk Maturity Survey. In all ERM activities, the importance of the staff's role is always emphasised.

For more information on our Principal Risks, please see pages 230 to 231.

TM Principal Risk Management Policy & Risk Appetite Statement

Established in 2005, TM's Risk Management and Internal Control Policy Statement ("Policy Statement") emphasises TM's commitment to a systematic and proactive approach to risk management practices. It provides reasonable assurance to achieve business objectives and highlights the responsibility and accountability relating to risk management. The Policy Statement was enhanced in 2021 to incorporate the Principal Risk Appetite Statement.

With this incorporation, it has been renamed "TM's Principal Risk Management Policy and Risk Appetite Statement", which aims to minimise risks and optimise opportunities in line with TM Group's risk appetite. The statement is as stipulated below, including how this can be cascaded to the operational level.

Cascading the Principal Risk Appetite to Operational

TM Principal Risk Management Policy & Risk Appetite Statement

- ⊕ TM Group is committed to deliver shareholder's value through sustainable growth without compromising our integrity, ethical values and reputation by continuously upholding our brand promises, best customer experience, resilient network, compliance to regulatory requirements as well as ensuring a safe and healthy working environment for all TM's workforce.
- ⊕ TM Group will defend, improve and expand our market position in Malaysia and selected overseas locations through a good risk management discipline.
- ⊕ TM Group shall assess and pursue new growth in tandem with the evolving industry and market conditions.

Operational

- ⊕ Likelihood: Principal Risk appetite guides the determination of the risk occurrence's probability by ensuring the risk assessments at the operational level align with the organisation's tolerance level.
- ⊕ Impact: The Principal Risk appetite guides the determination of the severity level of the impact parameter at the operational level.



The Risk Appetite of TM is reviewed annually to ensure it is aligned to the strategic objectives of the company.

Principal Risks

The Principal Risks are based into five (5) categories: Strategic Risk, Financial Risk, Technology/System Risk, Operational Risk and Sustainability Risk. TM continuously reviews and updates the risks, including incorporating relevant emerging risks within the telecommunication industry to ensure relevance and adequate risk coverage. The risks are further prioritised based on their residual risk ratings, key risk indicators, key control indicators and risk outlooks. The Principal Risks monitored by the Board are listed on pages 230 to 231.

Exposure to compliance risk is monitored through the Corporate Compliance Dashboard, with the potential and actual impact of non-compliance presented to the MC.

The BRIC and MC continue to provide oversight and appraise the adequacy and effectiveness of the ERM practices given the challenging operating environment.

INTERNAL CONTROL

The Board acknowledges that the internal control systems are designed to manage and reduce risks that hinder the Group from achieving its goals and objectives. It provides reasonable assurance against any material misstatement of management, including financial information, business, operational, environmental, compliance and financial losses or fraud. The internal control systems are embedded within the Group's operating activities and exist for fundamental business reasons.

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 loss.

The internal control systems are developed based on the COSO (Committee of Sponsoring Organisations of the Treadway Commission) Internal Control-Integrated Framework. They are reviewed regularly throughout the year by the Board, considering any changes in regulation, applicable laws or the business environment to ensure the adequacy and integrity of the internal control systems.

Key elements of the internal control systems established by the Board that provide good governance and effective internal control systems that support the sustainability of the company are further elaborated below:

Sustainability objectives:

- i Enable Sustainable Growth for Customers & the Community**
 - a. Solutions Provider
 - b. Digital Inclusion

- ii Ensure Business Resilience within TM & our Value Chain**
 - a. Environmental Management
 - b. Responsible Employer
 - c. Ethical Business

Directors' Statement on Risk Management & Internal Controls

Governance:

• Clearly Defined Lines of Responsibility & Authority

The Group has clearly defined lines of responsibility and authority to facilitate prompt responses in the continuously evolving 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 Limit of Authority (LoA) matrix that clearly outlines the Board and Management's limits and approval authorities across various key processes. The Board duly approves the LoA and subject to regular review and enhancement to ensure it reflects changes in accountability and the Group's risk appetite.

• Strategic Theme, Objectives & Core Values

Set to enable a Digital Malaysia, TM has a comprehensive suite of communication services and digital offerings to serve and empower communities, businesses and Government. This includes fixed connectivity, mobile, content, WiFi, cloud, data centre, cyber security, IoT and smart services.

As Malaysia's leading integrated Telco, TM has the strategic role of being the catalyst in shaping the nation's economic growth, social inclusion and digital adoption. Carrying a dual role as a PLC and GLC, require TM to continue playing the balancing act. The primary focus is on long-term commercial sustainability, as it is important for TM to be financially reliable to continue as a strategic partner for nation building.

TM is consistently driven by stakeholder value creation and places high emphasis on delivering an enhanced customer experience in today's highly competitive environment. This is made possible via continuous customer service quality improvements and innovations that include enhanced customer touchpoints and developed a more personalised and seamless digital omnichannel experience.

Through the first phase of its three-year transformation journey (2021-2023), TM has turned around its core business with better profitability, increased operational efficiency, as well as productivity. Our initial transformation has set a solid foundation, edging TM towards becoming a TechCo company. The next phase for TM is to protect our leadership position in connectivity and embark on platform play to capture future opportunities. This is aligned with TM's long-term aspiration to become a Digital Powerhouse by 2030. As the future shapers of tomorrow and enabler of a Digital Malaysia, we continue driving Malaysia towards becoming a digital nation and setting Malaysia as a digital hub for the region.

In its pursuit of sustainable future growth, TM will continue to place the highest standards of integrity in its business dealings. The commitment to an ethical working environment is reflected in TM CBE. All TM employees are also committed to embracing KRISTAL core values, which includes total commitment to customers, uncompromising integrity and respect & care in our interactions, whether internal or external stakeholders.

• Risk Management & Internal Control Policy Statement

The board and management issued our TM Principal Risk Management Policy and Risk Appetite Statement to provide reasonable assurance that the Group will achieve its business objectives, while safeguarding and enhancing shareholders' investments and the Group's assets. The Group CEO, Heads of LoBs, Heads of Business and Support Groups and TM subsidiaries'

CEOs are responsible for implementing the Enterprise Risk Management framework and practices.

• Product Governance Framework

Product Governance Framework is established to govern and oversee the business value creation related to product creation and management, especially cross-functional collaborations in creating values via product initiatives to support TM's Vision.

• Procurement Policy

Procurement policies, processes and guidelines are established to govern the procurement process, i.e., related activities in the procurement value chain, relevant authority limits and the stakeholders' accountability, including TM's employees and suppliers. The procurement governance in TM is made referencing the GLC Red Book (the primary procurement guideline for GLCs launched in 2006 under the GLC Transformation Programme) on Procurement Guidelines and Best Practices. The three (3) objectives of the Red Book are to drive value creation for the nation, develop a robust and competitive Bumiputera Commercial and Industrial Community (BCIC), minimise graft, increase corporate transparency and enhance corporate governance. TM's procurement activities are driven by the 5R: Right Quality, Right Quantity, Right Time, Right Place and Right Price.

• Policy, Manual & Procedures

TM's Business Policy & Governance (BPG) is the primary reference document that outlines the overall business policies and governance with clearly defined process owners across key functional areas within the Group. The sub-policies, processes, procedures and guidelines are developed, periodically reviewed and maintained by the respective process owners to provide the details in supporting the overall policies and governance in BPG.

• Insurance & physical safeguards

Adequate insurance and physical safeguards for significant assets are in place to ensure the Group's assets are sufficiently covered to minimise material loss against any mishap.

• Corporate Committees

Three (3) Corporate Committees, namely the Management Committee (MC), Business Operations Council (BOC) and Technology Committee (TechCom), were established to provide timely guidance and decisions in their respective scope and focus. The demarcation of roles is clearly defined, with specific authority levels assigned to ensure effective and efficient business execution balancing with control.

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

• Best Practice Committee (BPC)

BPC is a Management Committee that reports to the BAC. The BPC serves as a platform to review, update and discuss developments in listed issuer compliance, policies, best practices, corporate governance and changes in statutory and regulatory requirements set by the relevant regulatory authorities and statutory bodies.

● Business Continuity Management (BCM)

The BCM Steering Committee, chaired by the Group CEO, is committed to enhancing service reliability and resilience via an improved BCM programme implementation. The programme serves as guidance to identify potential adversities to the Group and its impacts on TM's business operations and customer experience. Subsequently, an overall BCM framework was established to build organisational resilience with an adequate response capability mechanism to safeguard TM's key stakeholders' interests, brand reputation and value-creating activities.

● Recording to Reporting (R2R) Framework

R2R is a financial non-compliance reporting framework adopted by the Management to enhance the quality and integrity of the recording to reporting process by instilling and enforcing behaviour change across the organisation. It serves as a mechanism to determine financial non-compliance incidents and the arising consequence management. At the same time, it promotes awareness of compliance and increases senior management's accountability.

● Procurement Compliance Committee (PCC)

PCC was established to ensure the effective implementation of procurement consequence management, ensuring compliance with procurement policies and procedures, including the Authority Limits. Procurement personnel, as the gatekeepers, are required to highlight non-compliances. Subsequently, PCC is responsible for deliberating on procurement compliance-related matters and identifying the appropriate consequence actions.

● TM Sponsorship Management Guidelines

This Guideline serves to provide and implement rules and procedures in relation to giving out sponsorship, donation, gift and hospitality. This is to ensure that the objective of doing sponsorship and donation is met, to prevent any unethical activities so that any potential associated risks resulting thereof can be minimised. Through sponsorship, the objective is to provide value in the areas of business growth, technology advancement, people development and nation building and, where applicable, enhance TM's brand image through the deliverables assured by the sponsorship activities.

● Human Capital Policy & Framework

Human Resource Policies and Procedures are in place to clarify all aspects of human capital management within the Group. Our learning and development programmes are designed to enhance the skills and capabilities of our employees, mitigating the risk of skill gaps and ensuring a competent workforce. Periodic succession planning is in place to identify and groom internal talent and ensure organisational continuity. In achieving the next level of productivity, we have established a performance management framework to monitor, assess and enhance employee performance, aligning individual goals with organisational objectives and mitigating the risk of suboptimal performance. As a part of the new TM transformation, we have introduced the Culture Statement to set the expected behaviour and shape the desired culture in TM.

● OSHE Policy

TM aims to create a Digital Malaysia through technology that empowers communities, businesses and Government and is committed to achieving the highest attainable level in providing a safe, healthy and environmentally sustainable workplace for its employees, contractors, visitors and other persons throughout all areas of its activities.

TM demonstrates leadership and commitment through its leaders, complies with legislation and other requirements, takes proactive steps to prevent and eliminate the risk of injuries and health hazards, takes commitment to building a culture of high environmental standards and compliance, prevention of pollution and damage to properties, including the preservation and conservation of the environment, awareness in the communication and ongoing education, training and supervision of all TM employees and contractors and continuous improvement in the OSHE management system.

● Management Information Systems

TM Group utilises key information systems to support processes, promote effective and efficient operations and timely and accurate communication with internal and external stakeholders. Governing these key systems is the TM IT Policy and Enterprise Architect Standard, which is in place to control and monitor access adequately.

● TM Cyber Security Management

● Information Security Governance & Certifications

In addressing compliance with security requirements for TM's Mission Critical (MC)/Business Critical (BC) services, continuous assessments are conducted to ensure the implementation of essential security controls, focusing on systems that store Personally Identifiable Information (PII) and/or public-facing.

To increase the organisation's resilience to cyber attacks and maintain positive relationships with our customers, TM maintains existing internationally accepted certifications and has completed the certification standards on Information Security Management Systems, Business Continuity Management Systems and Payment Card Industry Data Security Standard for TM's cloud services, Network Operations and IT systems/Applications.

● Technology Uplift

To mitigate security risk at endpoints and prioritise key businesses in TM, the following critical assets and business data, security controls as below have been implemented:

- i. Enhance Endpoint Control (for servers and user endpoints) – with the objective of mitigating security risks at endpoints, prioritising key MC/BC servers, admins, normal/basic user devices and shared terminals.
- ii. Fortify Identity and Access Control – with the objective to protect user access, secure the Active Directory and improve staff experience in accessing applications in TM.
- iii. TM's public-facing Web/Applications are protected by Web Application Firewall (WAF) – with the objective of reducing TM's attack surface and PII Data Exposure.



Directors' Statement on Risk Management & Internal Controls

- **Cyber Security Focused People Development**

In ensuring complete coverage of reaching out to both the technical and overall *Warga TM*, previous and new programmes were initiated towards and taking advantage of technology mainly in elevating the awareness of social engineering and to test the organisation's cyber capacity by measuring its ability to detect and respond to a security incident, as well as develop security capabilities amongst lead software developers. TM's Information Security team has conducted email phishing simulation, TM Cyber Security Month/Day and Application Security Workshop for TM Internal Developers.

- **Third-Party Information Security Requirements**

To enhance security requirements in managing 3rd party risks, security requirements are embedded at all touchpoints to safeguard the security of the TM's information asset.

- Supplier on-boarding registration requires security criteria to be met.
- Technical cyber security clauses and requirements are part of the technical specification of any IT and network solutions.
- In 2023, the Vendor Security Index (VSI) was initiated by GIS to assess and measure the key aspects of vendors' cyber security hygiene. Periodic assessment of Vendor Security Index will be performed during the Preventive Maintenance.

- **Sustainability Management Function**

Led by the Chief Corporate and Regulatory Officer (CCRO), a dedicated function focuses on the overall sustainability management in TM, including planning and executing sustainability programmes across TM. We have integrated sustainability-related risks as part of our group-wide ERM to expand our horizon further for a holistic view of ERM in the organisation. With structured sustainability management and risk framework in place, TM progressively assesses the emerging sustainability risks such as carbon emission, supply chain, labour standard, customer experience & privacy, safety & health and social well-being, with a focus given on environmental, particularly climate change risk. Starting in 2021, TM started to alleviate the climate change risk as part of Principal Risks monitored by BRIC.

We continue our progressive effort in optimising our opportunities in the sustainability agenda while at the same time minimising related risks. During the year, as part of our key improvement areas in sustainability, we revised our framework and roadmap, which detailed our latest execution plan for 2024 to 2026, tapping into the opportunities of enabling sustainable growth for our customers and community while ensuring resilience within TM's our value chain. The Sustainability Committee, comprising of key members of the top management, has been appointed to oversee the implementation of TM's Sustainability Framework and Integration Plan. Details of the framework and integration plan are as per the Sustainability chapter from page 86 to 89.

- **Integrity:**

The Group's commitment to upholding integrity in carrying out its duties is evidenced by:

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

TM is committed to conducting business in an open, honest and ethical manner. Our CBE and TM ACG have always been the primary reference for all employees when dealing with various internal and external stakeholders. TM CBE is also highlighting the Anti-Corruption Policy, Provision 13, which focuses on the TM zero-tolerance approach against all forms of corruption and our top-level commitment to ensuring the approach is being implemented in TM.

TM ACG, which supplements the CBE, sets out the policy statements and guidelines for all TM employees concerning improper solicitation, bribery, or other corrupt activities and issues that may arise in the course of conducting business. In view of the provisions of Section 17A, Corporate Liability of MACC Act 2009, our controls and initiatives are implemented based on the T.R.U.S.T Principles. This is to ensure that TM has adequate control to conduct its business with integrity and eradicate corrupt practices.

- **Awareness & Briefing Sessions**

Ongoing awareness and briefing sessions on CBE and Corporate Liability Section 17(A) are essential for TM employees to have sufficient knowledge and understanding of CBE. This includes a strong understanding of Corporate Liability Provision Section 17A of MACC Act 2009, which has been enforced since 1 June 2020. More than 7,300 employees have attended the awareness session, which includes both physical and virtual, for the year 2023. In 2023, GIG has also issued 26 awareness snippets on the understanding of TM CBE with a sample of scenarios/case studies.

- **Organisational Anti-Corruption Plan (OACP)**

The OACP is positioned as a new initiative to strengthen controls & monitoring of Corruption, Integrity & Governance risks and as a defence towards compliance with Section 17A of MACC Act 2009. TM adopted the framework from the Institute Integrity of Malaysia by analysing and interpreting data from multiple sources internally & externally, defining the corruption-related risks and understanding the root causes based on the TM ERM framework adopted from the ISO 31000:2018 Risk Management Guidelines. The scope covered 20 divisions from various LoBs and support functions. The corruption risk assessment results were further analysed to focus on the moderate or higher risks. A total of 91 action plans were generated based on corruption risk assessments with 20 divisions in 2021. However, in 2023, 103 action plans have been generated based on corruption risk assessment undertaken by the divisions in TM. For 2023, we managed to achieve a completion rate of 82% over five (5) years.

● **TM CBE e-Learning**

In ensuring comprehensive coverage of reaching out to the overall population in TM and taking advantage of technology in line with Digital Malaysia, GIG has rolled out an e-Learning programme known as TM CBE e-Learning. This programme has been designed and developed to address how employees should demonstrate the value of integrity in their daily work via interactive learning videos and messages based on real case scenarios. More than 18,000 employees have completed this e-Learning exercise for the Phase 2 in 2023.

● **TM Integrity Day 2023**

To demonstrate its commitment and continuous effort to uphold high integrity, governance and transparency in its business operations, TM organised its annual TM Integrity Day 2023 (TMID) on 1 November 2023, in conjunction with the National Integrity Day. The key highlights of TMID include a special forum featuring prominent speakers and a special theatre performance on corruption and its impact. This event is attended by the TM BOD, Chairman, GCEO, Management, *Warga TM* and Business Partners nationwide via this Hybrid event.

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

TM has adopted MS ISO 37001, an international anti-bribery management system standard, to help our organisation implement, maintain and improve the anti-bribery compliance programme to prevent, detect and respond to occurrences of corrupt practices. TM have appointed 18 coordinators to oversee their respective divisions and trained 52 lead auditors to maintain the ABMS effectively. TM has maintained our MS ISO 37001:2016 ABMS certification since 2021, which shows our commitment to good governance and integrity. Currently, high corruption risk processes under seven (7) divisions nationwide (Unifi, TM One, TM Global, Group Procurement, GNT, GITD and Support Business) have been certified under the ABMS scope.

● **Declaration of Assets & Interest (DOA) & Integrity Pledge (IP)**

Annual DOA and IP are important to ensure transparency in TM's daily business dealings and to avoid any conflict of interest. This is one of the many initiatives that TM has put in place to build a culture of integrity throughout the organisation. In 2023, 100% of TM Employees had completed the DOA and IP. The declaration of interest includes the employees' declaration of any employment or business outside TM and a declaration of their family members' involvement in business dealings with TM or who work or provide services to TM's competitor. This DOA exercise is in compliance with the provision stipulated under the TM CBE.

● **Whistle-Blowing Policy**

TM and its BOD are committed to whistle-blowing policy, which enables any employee, supplier or other third party to report actual or suspected malpractice, misconduct or violation of the Group's policies and regulations safely and confidentially through TM Ethics Line.

● **Integrity, Governance & Anti-Corruption Award**


In 2023, TM won the Highest Gold Award at the Anugerah Integriti, Governans dan Antirasuah 2023 (AIGA 2023). Additionally, TM has been awarded the anti-corruption accolade by UNGC (United Nations Global Compact) on November 2023. TM's achievements underscore a steadfast commitment to transparency, accountability and creating an ethical corporate culture guided by the TM CBE.



INTERNAL AUDIT

GIA is an in-house internal audit function that reports to the BAC to provide risk-based and objective assurance, advice and insight designed to enhance and protect organisational value. GIA helps the Group accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving ERM effectiveness, control and governance processes. During the financial year, the internal audit function provided continuous assurance on matters related to governance and internal controls. It further evaluated the effectiveness and efficiency of the governance, ERM framework and internal control systems and provided recommendations for improvement. The Management then followed through and reviewed the status of actions taken on the internal auditors' recommendations.

Audit reviews are carried out on units identified through a risk-based approach, in line with the Group's objectives and policies in the context of its evolving business and regulatory environment, with input from the senior management and the Board.

 Further information on Internal Audit is provided on pages 227 to 229 of this IAR.

Directors' Statement on Risk Management & Internal Controls

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

The TM Risk Maturity Assessment 2023 (TMRMA 2023) plays a vital role in our ERM framework toward to ensure the adequacy and effectiveness of our ERM and internal control systems. The TMRMA aims to achieve the following objectives:

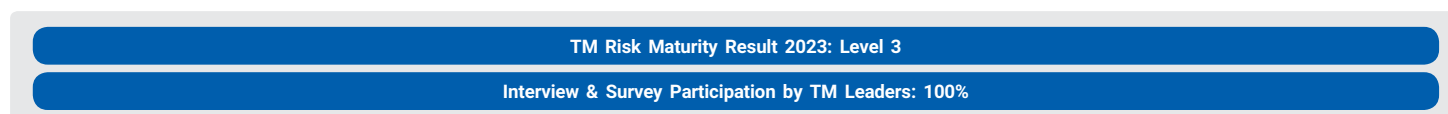
- Understanding the current risk management maturity level with in organisation
- Identifying areas where TM can improve risk management processes
- Providing business assurance in meeting organisational targets/goals
- Enabling more informed decisions about risk and integrated analytics to manage opportunities as well as potential negative impacts

Spearheaded by the Group Risk Management (GRM), this assessment actively engages key stakeholders, including selected Directors, Heads of Divisions and risk coordinators across the organisation.

Risk Maturity Results

An initiative to gauge our Risk Maturity level and benchmarking was conducted with an appointed consultant from September to December 2023 involving interviews with selected Directors and TM leaders, survey and validation with the GRM and risk coordinators.

The assessment was conducted in accordance with the consultant's risk maturity framework, covering the following nine (9) components. Overview of Risk Maturity results summarised in the following illustration:



Risk Maturity Framework 2023



The Board has received assurance from the GCEO and GCFO that the Group's risk management framework and internal control systems are operating adequately during the financial year under review. Taking into consideration the Management's assurance and input from the relevant assurance providers, the Board is of the view that the risk management framework and internal control systems are satisfactory and adequate to safeguard shareholders' investments, customers' interests and the Group's assets and have not resulted in any material loss, contingency or uncertainty. 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 BOD and senior management posting(s) to the various subsidiaries and through the review of management accounts received. These 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 Malaysia Securities Berhad Main Market Listing Requirements, 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 Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants. AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

Statement of Internal Audit

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. The CIA has an administrative reporting line to the GCEO, which enables the requisite stature and authority of Internal Audit to fulfil its responsibilities.

The CIA’s detailed background can be found in this annual report’s “Profile of Senior Management” section.

BAC reviews and approves GIA’s annual audit plans, budget and human resources requirements to ensure resources with the relevant competencies are sufficient to carry out audit functions aligned with the Group’s objectives. The CIA periodically reports on the activities performed by the GIA as well as key strategic and control issues to the BAC. 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 Control Framework of the COSO and Control Objectives for Information and Related Technology (COBIT) in assessing and reporting the adequacy and effectiveness of the design, implementation 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 of the Institute of Internal Auditors (IIA), the definition of Internal Auditing and Code of Ethics to effectively and efficiently execute the audit engagements.

SCOPE & COVERAGE

GIA continues to adopt a risk-based audit plan approach in formulating the annual audit plan, considering TM’s strategic objectives, risk profiling and inputs 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.

GIA **focused on seven (7) key audit areas** covering the business value chain, in line with TM’s direction and risks. Among the key areas reviewed during FY2023 are:

STRATEGIC PARTNERSHIPS & COLLABORATIONS

Audit Area	Key Audit Review
Sales Strategy & Conversion	<ul style="list-style-type: none"> Churn and Retention Programme Reseller Management Revenue Performance Management
Customer Experience Strategy & Management	<ul style="list-style-type: none"> Content Marketing Unifi Credit and Collection Management Digital Platform Experience
Infrastructure & Capacity Management	<ul style="list-style-type: none"> Project Planning and Management Capacity Management Inventory Management
IT & Cyber Security	<ul style="list-style-type: none"> Software License Management Cyber Security Implementation Application Management System Assessment
Supplier/Partner Development & Management	<ul style="list-style-type: none"> Partners’ Appointment and Management Partners’ Contract Management
Workforce Strategy & Management	<ul style="list-style-type: none"> Scholarship Management
Governance & Compliance	<ul style="list-style-type: none"> Procurement Contract Management Consultancy Engagement Capex Management

Statement of Internal Audit

Based on a total of 48 audits carried out in FY2023, among the key risks identified are:

➔ The strategy, planning, development and management of key products from the three (3) LoBs i.e. Unifi, TM One and TM Global

➔ The ecosystem that drives the revenue and cost management within the LoBs includes the team setup effectiveness, sales management, sales campaigns, partners' appointments and management

➔ The delivery and management of TM's main projects and services, which include the processes, systems, network infrastructure and people capabilities

➔ Governance and compliance to assess the adherence and improvement needed on key areas within the financial-Capex spending, procurement, workforce, license management and cyber security matters

All internal audit reports with significant improvement opportunities were presented to the BAC for deliberation, while others were reported in the quarterly reporting to the BAC. Each audit issue is supported by GIA recommendations and the relevant feedback from the Management was obtained for issue closure. As part of the audit process, GIA continuously monitors and validates the implementation of the management action to address the audit issues on a monthly basis.

In providing value to the organisation, GIA's key performance indicators include key contributions and value-adding recommendations to the Management in the form of cost avoidance, opportunity loss, cost optimisation, income realisation, revenue recovery, cost reduction and significant process improvements identified during audit engagements.

INTERNAL AUDIT QUALITY

The CIA develops and maintains a Quality Assurance and Improvement Programme that covers all aspects of internal audit activities. The quality assurance programme assesses the efficiency and effectiveness of GIA processes and identifies opportunities for improvement via internal and external assessments.

As part of its Quality Assurance, GIA maintains a 3-tier quality review mechanism to ensure relevant, reliable and sufficient assessment to support audit engagement results and conclusions. Audit reports are prepared by the respective GIA Head of Units, reviewed by the Deputy Chief Internal Auditors, with final review and approval by the CIA. 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 has fully utilised the Audit Management System (AMS) named Pentana. Pentana provides systematic audit work documentation and task tracking. The GIA internal analytics platform (ADEPT) is being applied to enable analytic-based audits as part of the audit fieldwork. This ADEPT was developed internally by Credence.

In maintaining the quality of audit work, GIA ensures that all audits conform to the Internal Audit IPPF standards. The IPPF was incorporated into the GIA Audit Manual, established for internal auditors to follow, where regular compliance reviews were conducted to ensure that internal audits complied with the Audit Manual.

The effectiveness and quality of the internal audit activities are also assessed externally by the Institute of Internal Auditor Malaysia (IIAM) via the External Quality Assessment Review (EQAR). Pursuant to the review, IIAM opined that the overall final opinion "Generally Conforms" to the Standards. GIA has fulfilled its key objectives in accordance with the IIA's International Standards for the IPPF.

In addition to conformance to the standard, GIA was noted to be generally operating at "Managed" levels against the Internal Audit Maturity Assessment (IAMA) framework. The matrix consists of five (5) levels, i.e. Initial, Defined, Implemented, Managed and Optimised.

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 Audit Committee on the implementation status, applying and declaring adherence to IIA's code of ethics.

RESOURCES

The internal audit activities in FY2023 were executed by 44 internal auditors from various educational backgrounds, as follows:

Education Background	No. of Internal Auditors as of 31 December 2023	Percentage %
Engineering/Network	16	36%
Accounting & Finance	14	32%
Information Technology/Computer Science	9	20%
Business Administration/Marketing	4	9%
Procurement/Human Resources/Law	1	2%
Total	44	100%

A total of RM8.2 million was incurred on internal audit activities in 2023. A summary of the internal audit costs is as follows:

Category	RM (million)	% of the total cost
Manpower	7.17	87.9%
Supplies and Material	0.06	0.8%
Other operating costs	0.91	11.1%
Depreciation	0.02	0.2%
Total	8.16	100%

PROFESSIONAL QUALIFICATION & CONTINUOUS COMPETENCY DEVELOPMENT

GIA is committed to equip its internal auditors with sufficient knowledge, skills and competencies to discharge their duties and responsibilities. The internal auditors are also encouraged to obtain appropriate professional certifications and qualification. As of 31st December 2023, 23 internal auditors hold a total of 40 professional certifications and qualification, as shown below:

No.	Qualification	No. of Certifications
1	MBA/Masters	13
2	FCCA/CPA/CA/ACCA	3
3	Information Technology Infrastructure Library (ITIL)	3
4	Certified Internal Auditor (CiA)	2
5	Certified Professional Engineer (Ir.)	1
6	Certified Professional Requirements Engineering (CPRE)	1
7	Certified Tester, Foundation Level (CTFL)	1
8	Certified Data Centre Professional (CDCP)	1
9	Certified Tester, Advanced Level Test Analyst (CTAL- TA)	1
10	Certified IP Associate (CIPA)	1
11	Qualified Risk Auditor (QRA)	1
12	CISCO Certified Network Associate (CCNA)	3
13	Professional Technologist	2
14	MCI Consulting (Management Consulting, Level 1: Analyst)	1
15	Prince 2 Foundation Certification	1
16	NIOSH Certification	2
17	IPV6 Certification	1
18	Data Scientist	1
19	Kaizen Lean Six Sigma (Green Belt) & QMS 9001: 2015 as Auditor/Lead Auditor	1
	Total	40

Note: FCCA – Fellow Chartered Certified Accountant, CPA – Certified Public Accountant, CA – Chartered Accountant, ACCA – Association of Chartered Certified Accountant

In addition to the above, 34% (15 auditors) are in the midst of pursuing their professional certifications at various stages.

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 audit training, strategic initiatives, leadership and communication, business acumen, data analytics and career progression
- ➔ Maintain corporate membership status in IIA Malaysia, which provides access to internal auditors for training, reading materials, audit resources and current happenings in the audit fraternity

GIA continuously encourages auditors to equip themselves with sufficient knowledge and skills to demonstrate a high level of proficiency and due professional care in fulfilling auditors' responsibilities. In 2023, the internal auditors attended 2,340 hours of external and internal online training in multiple technical disciplines and professional certification programmes to enhance their job performance and career prospects.

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

Hawaby Sultan Muhamad
 Chief Internal Auditor

Hisham Zainal Mokhtar
 Chairman, Audit Committee