

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTRODUCTION

The Board of Directors of AT Systematization Berhad acknowledges the importance of maintaining a sound system of internal control and effective risk management as part of its ongoing efforts to practice good corporate governance. The Board is pleased to provide the following Statement on Risk Management and Internal Control for the FY2024. This Statement is made in compliance with Rule 15.26(b) of the ACE LR and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

## BOARD'S RESPONSIBILITIES

The Board is responsible for the Group's risk management and internal control system as well as reviewing its adequacy and effectiveness on an on-going basis. Whilst acknowledging its responsibilities, the Board is aware of the limitations that are inherent in any system of internal controls. Such a system is designed to identify and manage the Group's risk within the acceptable risk profile, rather than eliminate the risk of failure to achieve business objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement, loss or fraud. The key areas covered by the Group's risk management and system of internal controls are financial, organisational, operational, environmental and compliance controls.

## RISK MANAGEMENT

The Board recognises that risk management is an integral part of the Group's business objectives. The Group is committed to integrating good risk management practices into all business processes and operations to drive effective and accountable action, decision making and management practice.

The implementation of the Group's risk management process is the responsibility of the Risk Management Group ("RMG") comprising Executive Directors, the Chief Financial Officer and the Directors and/or Senior Managers of the key subsidiaries/business units of the Group. The RMG is chaired by the Executive Directors to undertake the following tasks:-

- The implementation and maintenance of the risk management process;
- To ensure the effectiveness of the risk management process and the implementation of risk management policies;
- To identify risks relevant to the Group that may impede the achievement of its objectives;
- To identify significant changes to the Group's risks including emerging risks and take actions as appropriate to communicate to Audit and Risk Management Committee ("ARMC") and the Board.

The Group adopts the control self-assessment methodology to formalise the risk management process. Each key subsidiary has its own risk management working group which is headed by the Directors and consists of general managers, heads of department and key personnel while Internal Auditors act as coordinator. The risk management working group is tasked to identify major business and compliance risks concerning their respective business units, oversees and ensures integration of risk management into their business processes. The risk management working group of each key subsidiary reports to the RMG and the RMG will then discuss and evaluate the working groups' reports for adoption. Thereafter, the RMG will report to the ARMC annually about key risks and risk management activities carried out during the period. The key aspects of the risk management process of the Group are:-

- Risk management working groups are required to update their risk profiles on on-going basis and in this regard, issue letters of assurance at the end of each yearly review to confirm that they have reviewed the risk profiles, risk reports and related business processes and are also monitoring the implementation of action plans;

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- On annual basis, a risk management report detailing status of risk reviews, significant risk issues identified and the progress of implementation of action plans shall be reviewed and discussed by respective risk management working group prior to being tabled to the RMG;
- The risk reports from the key subsidiaries are consolidated for annual reporting and tabled to RMG, before being presented to the ARMC for review, deliberation and recommendation for endorsement by the Board.

### INTERNAL CONTROL

#### **Key Internal Control Processes**

The key elements of the Group's internal control systems are described below:-

- The Board has established an organisational structure with clearly defined lines of responsibilities, authority limits and accountability aligned to business and operations requirements which support the maintenance of a strong control environment;
- The Board has established the Board Committees with clearly defined delegation of responsibilities within the definition of terms of reference. These committees include ARMC, Remuneration Committee, Nominating Committee, Investment Committee and ESOS Committee which have been set up to assist the Board to perform its oversight functions. The Committees have the authority to examine all matters within their scope and report their recommendations to the Board.

#### **Key Elements of Internal Control**

The following sets out the key elements of the Group's internal control, which have been in place throughout the FY2024 and up to 25 July 2024, being the date of this Statement on Risk Management and Internal Control:-

- Management structure exists with clearly defined responsibility and appropriate levels of delegation to ensure checks and balances through segregation of duties. The Management team is responsible for implementing the Group's strategies and managing day-to-day business. The Management team performs regular monitoring and review of the Group's financial results and operational matters. Meetings are held at operational and management levels regularly to identify, discuss and resolve business and operational issues;
- Quarterly financial results, annual financial statements, annual report and other information are provided timely to the ARMC for review before approval by the Board for public release. Areas of concerns as well as exceptions or deviation to the Group's policies and weaknesses on the internal control systems are highlighted and discussed during the meetings. This oversight review allows the Board to monitor and evaluate the Group's performance in achieving its corporate objectives;
- The Group practises annual budgeting and monitoring process as follows:-
  - a) Budget is prepared annually for each area of business, followed by reviewed and adoption by the Board;
  - b) Actual performance would be compared with budget monthly, together with explanation of any major variance. Action plans are formulated to address any areas of concern.
- Comprehensive financial accounts and management reports are prepared and reviewed monthly for effective monitoring and decision-making;
- Accounting policies and operating procedures approved by the Board are applicable to the whole Group. These policies and procedures are subject to periodic reviews, updates and continuous improvements to reflect the changing risks and operational needs;
- The Code of Conduct is implemented within the Group for Directors, Management and employees of the Group. This code is established to promote a corporate culture which produces ethical conduct throughout the Group;
- Staff professionalism, industrial skill sets and job competency are progressively developed through broad based training and development programmes;

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- Appropriate insurance coverage and physical safeguards over major assets are in place to ensure that the assets of the Group are adequately covered against any mishap that may result in material losses to the Group.
- The Group has established and put in place a whistleblowing policy to provide an avenue for the Board, officers and employees as well as members of the public a safe channel of reporting of concerns about possible improprieties. Allegation of improprieties, if any, is reported at the ARMC meetings.
- Related party transactions, if any are dealt with in accordance with the ACE LR and reviewed by the ARMC and the Board at the respective meeting.
- Subsidiaries of the Group have been accredited certifications, licenses and qualifications by global group certification bodies. Documented internal procedures and Standard Operating Procedures ("SOPs") have been put in place since their accreditation. Surveillance audits are conducted by assessors of the ISO certification bodies to ensure that the SOPs are implemented. Continuous training and development programmes are also provided to enhance employees' competencies and maintain a risk adverse and control conscious culture.

### **Internal Audit Function**

The ARMC is responsible for reviewing and monitoring the adequacy and effectiveness of the Group's system of internal control. The review and monitoring are carried out through the internal audit function by an outsourced independent professional firm of consultant, Finfield Corporate Services Sdn Bhd ("Internal Auditors"). Being an independent function, the audit work is conducted with impartiality, proficiency and due professional care. The internal audit plan is developed based on the risk profile and analysis of the businesses of the Group, as well as on past experience. The internal audit will focus its resources on areas of high risks which will be audited more frequently than low risk areas. For purposes of identifying and prioritising risks, the Internal Auditors will first discuss with the RMG and respective risk management working group, review management reports and financial statements.

The findings of internal audits, including its recommendations and management's responses were tabled at the ARMC meetings for deliberation and the ARMC's expectations on the corrective measures were communicated to the respective heads of departments and business units. The Management is responsible for ensuring that corrective actions to control weaknesses are implemented within a defined time frame. The status of implementation is monitored through follow-up audits which are also reported to the ARMC.

In addition, the deficiencies noted by the External Auditors' and Management's responsiveness to the control recommendations on deficiencies noted during financial audits provide added assurance that control procedures on functions with financial impact are in place, and are being monitored. In assessing the adequacy and effectiveness of the system of internal control and accounting control procedures of the Group, the ARMC reports to the Board its activities, significant results, findings and the necessary recommendations for improvements.

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### REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

Pursuant to Rule 15.23 of the ACE LR, the External Auditors have reviewed this Statement in accordance with the Audit and Assurance Practice Guides 3 issued by the Malaysian Institute of Accountants, for inclusion in this Annual Report and reported to the Board that nothing has come to their attention that causes them to believe that this statement, in all material respect:-

- (i) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers; or
- (ii) is factually inaccurate.

### CONCLUSION

The Board, having received assurance from the Executive Directors, is satisfied with the adequacy and effectiveness of the Group's risk management and internal control system for the period under review and up to the date of approval of this Statement. There were no material internal control weaknesses which had resulted in material losses, uncertainties or contingencies that would require disclosure in this Annual Report.

This Statement on Risk and Internal Control was approved by the Board on 25 July 2024.