

## DIRECTORS' STATEMENT ON RISK MANAGEMENT AND 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. Accordingly, 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.

### RESPONSIBILITY AND ACCOUNTABILITY

#### The Board

The Board is responsible for establishing and overseeing the Group's risk management framework and internal control systems, which manages the Group's risk appetite within acceptable levels of tolerance. The tolerance levels are set by the Board and Management 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 business 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:

#### Board Risk Committee (BRC)

The primary responsibility of the BRC is to assist the Board in ensuring a sound and robust ERM framework and its implementation to enhance the Group's corporate governance practices with a focus on risk issues by identifying, assessing and monitoring key business risks. Given the growing importance of sustainability/ESG and cyber security risks in 2022, both subjects have been part of the Board's agenda. BRC is the oversight platform to discuss the related risks and the associated control implementations.

The Terms of Reference (ToR) and primary duties of the BRC concerning risk management are incorporated in the Board Charter, which is accessible on the company's official website at [tm.com.my](http://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 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 Group Internal Audit (GIA) function

Reviews and provide 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 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 208-210. Other Board Committees, such as the Nomination and Remuneration Committee 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 on key risks and internal control systems in this Integrated Annual Report.

**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. With regards to risk management, the Management has implemented the necessary processes to:

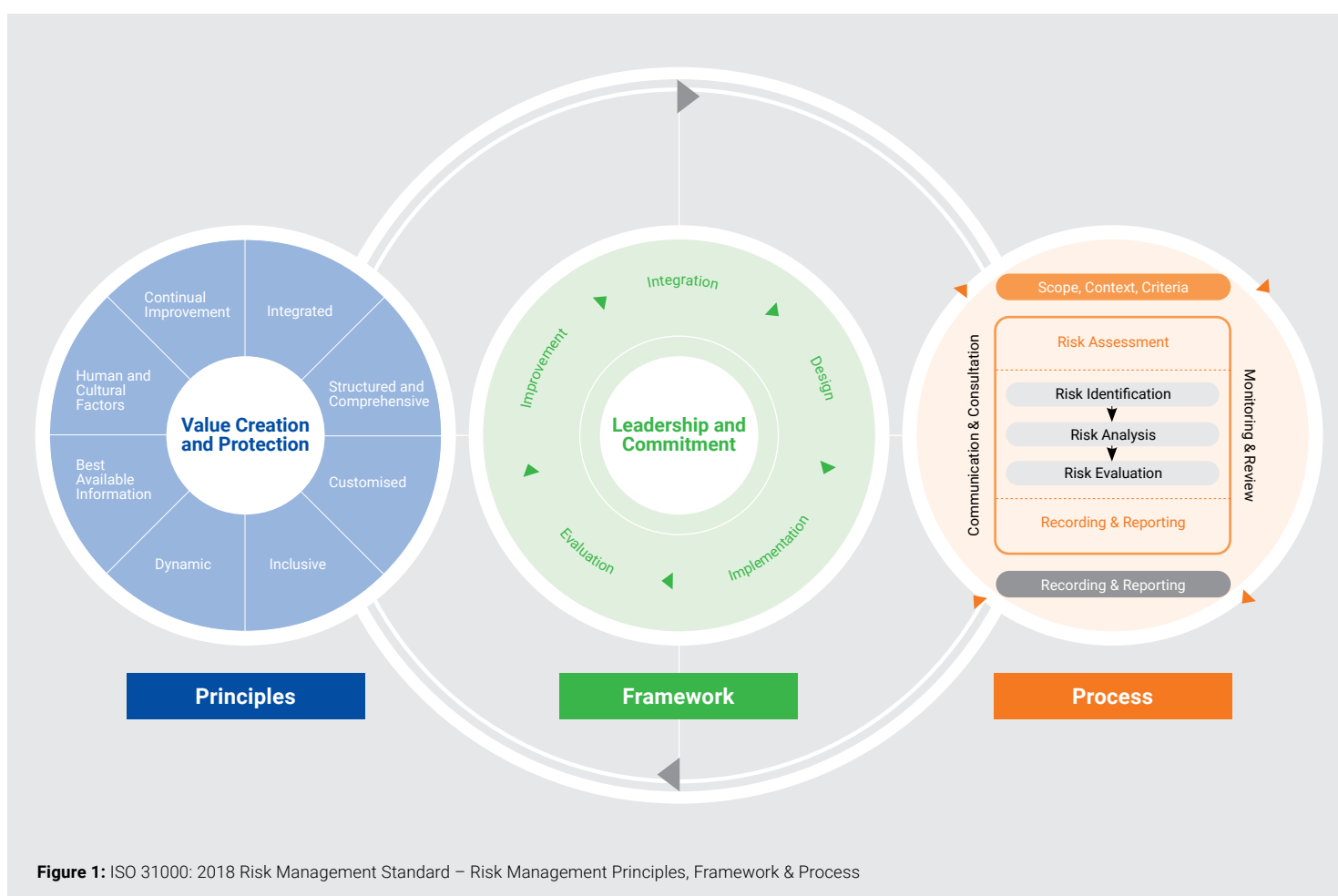
- Identify and analyse the risk appetite relevant to the business and determine the level of risk tolerance towards the achievement of the Group’s objectives and strategies
- Design, implement and monitor the ERM framework according to the Group’s strategic vision and overall risk appetite
- Identify 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 organisation’s 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 illustrates TM’s risk management principles, framework and process.



**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 convergence and digital strategies. Figure 2 below illustrates TM's ERM governance and framework.

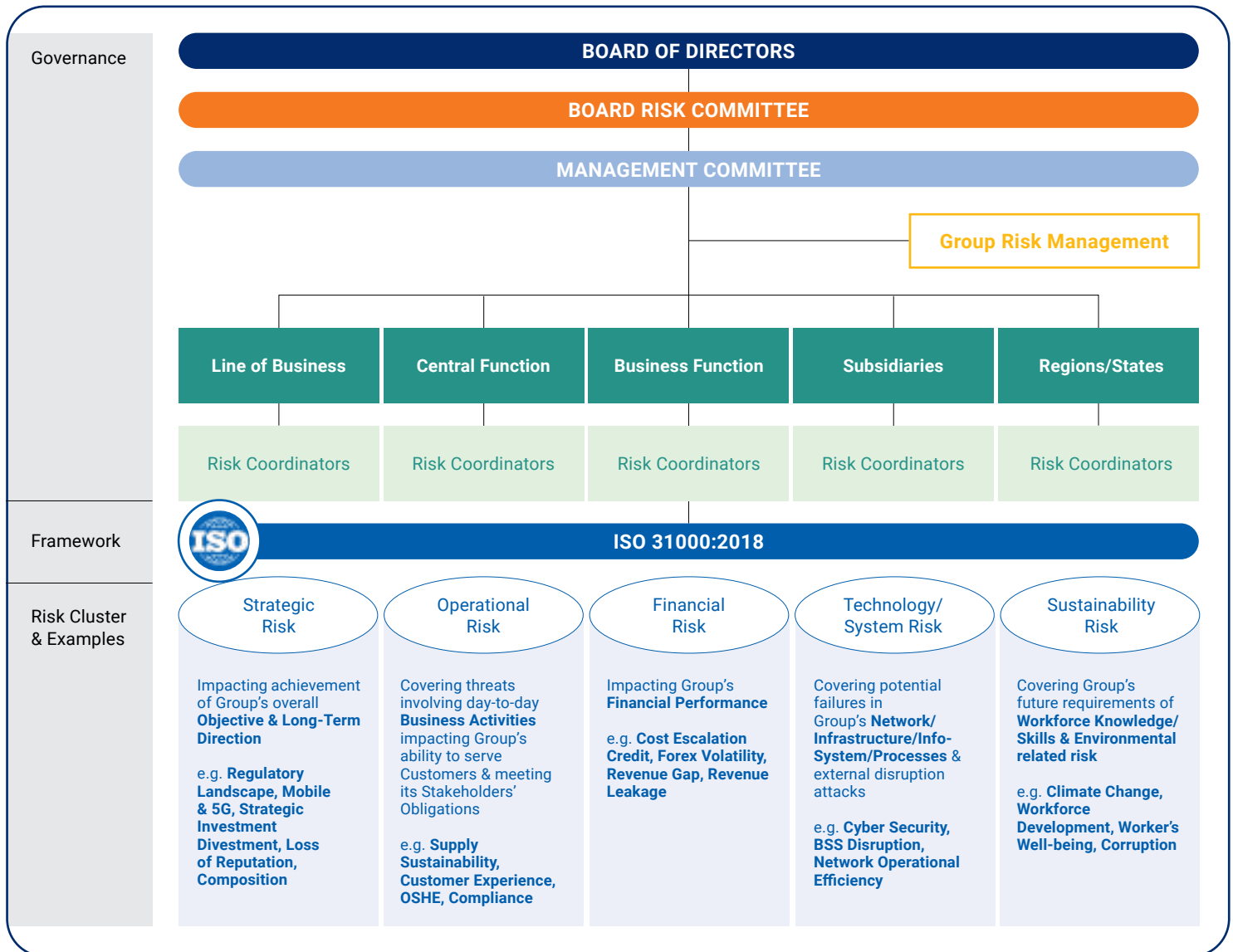


Figure 2: TM's ERM Governance and Framework

TM's ERM structure spans the entire organisation, from the Board to the operational level. Through such governance and framework, material risks are consolidated from all Business Segments to the MC and escalated up to the BRC and Board. Applying a TM Group-wide perspective, leaders will evaluate, scrutinise, warrant further exploration and approve the top risks (including Corporate Risk) through the BRC platform.

There are appointed Risk Coordinators at every LOB, central function, business function, subsidiary and region/state. They have actively performed their roles in coordinating the risk management activities to build a risk-based decision-making workforce, together with strong accountability and responsibility from the respective Head of Divisions to ensure the discipline is successfully instituted. The outcome is reflected through the encouraging positive feedback of the Annual Risk Management Self-Assessment 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 211-216

### TM Corporate Risk Management Policy and Risk Appetite Statement

Established in 2005, TM 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 Corporate Risk Appetite Statement.

With this incorporation, it has been renamed to “TM Corporate Risk Management Policy and Risk Appetite Statement”, which aims at minimising risks and optimising opportunities in line with TM Group’s risk appetite, as stipulated below:

- TM Group is committed to delivering shareholders’ value through sustainable growth without compromising our integrity, ethical values and reputation. We do this by upholding our brand promise, seamless customer experience, resilient network, compliance with regulatory requirements and 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 good risk management discipline
- TM Group shall assess and pursue new growth dictated by the evolving industry and market conditions

### Principal Risks

The principal risks are clustered based on 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 that have been clustered and monitored by the Board are listed on pages 213-214.

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

The BRC 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, taking into consideration 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:



**Strengthening Our Governance & Integrity**

Good governance is considered material to TM's long-term relationship with our stakeholders. Our corporate governance system is built on Ethics, Transparency, Accountability and Responsibility principles.

**Governance**

- **Clearly Defined Lines of Responsibility and 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 LoA is duly approved by the Board and subject to regular review and enhancement to ensure it reflects changes in accountability and the Group's risk appetite.

- **Strategic Theme, Objectives and Core Values**

Set to enable 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, cloud, data centre, cyber security, IoT and smart services.

As Malaysia's leading converged Telco, TM plays a strategic role as the catalyst in shaping the nation's economic growth, social inclusion and digital adoption. Carrying a dual role as a PLC and a GLC requires TM to adopt a balancing act. TM's primary focus is on long-term commercial sustainability, as it is important to be financially reliable in order to continue being 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 includes enhanced customer touchpoints and more personalised and seamless digital omnichannel experience.

Through its three (3) year transformation journey (2021-2023), TM has turned around its core business with better profitability, increased operational efficiency as well as productivity. Moving into its third year of transformation with a strengthened core business, TM will re-double its momentum to pursue new growth opportunities beyond connectivity, as well as building its digital capabilities.

Aligning with TM's aspiration to evolve from the present position as a converged Telco to becoming a human-centred TechCo, TM aims to enrich its value proposition with enhanced technology and more digital solutions for its customers. As the future shapers of tomorrow and enabler of a Digital Malaysia, TM is looking into humanising technology and making it accessible to all Malaysians.

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

- **Risk Management and Internal Control Policy Statement**

The Board and Management issued our Risk Management and Internal Control Policy Statement to provide reasonable assurance that the Group will achieve its business objectives, while safeguarding and enhancing shareholders' investments and Group's assets. The Group CEO, Heads of Lines of Business, 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, namely Right Quality, Right Quantity, Right Time, Right Place and Right Price.

- **Policy, Manual and 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.

**Governance**

- **Insurance and 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 Management Committee (MC), Business Operations Council (BOC) and Technology Committee (TechCom), were established to provide guidance and decisions in their respective scope and focus. 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, 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 GCEO 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 impact 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 behavioural change across the organisation. It serves as a mechanism for determining 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 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 the procurement compliance-

related matters and identifying the appropriate consequence actions.

- **TM Sponsorship Management Guidelines**

This guideline was established to ensure a cohesive and systematic approach in planning, implementing and managing sponsorships for TM. Sponsorship activities are streamlined within units, divisions, LOBs, states and subsidiaries. It assists in the effective facilitation of the evaluation of applications for sponsorship to ensure it benefits the deserving target group and will be implemented following TM policies and governance.

- **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**

1. **Information Security Governance and Certifications**

In addressing compliance security requirements on Mission Critical (MC)/ Business Critical (BC) services, continuous assessment is conducted to ensure the implementation of essential security controls for identified services.

- i. **TM Cyber Security Baseline**

GIS has completed the assessment of the five (5) identified MC/BC systems and will continue to track the control implementation. GIS will continue the assessment focusing on systems that stored Personally Identifiable Information (PII) and/or public facing.

- ii. **Compliance and Certifications**

To increase organisation's resilience to cyber attacks and maintain positive relationships with our customers, TM maintains existing internationally accepted certifications and completed the certification standards (ISO/IEC 27001:2013 ISMS, ISO/IEC 22301:2018 BCMS and PCI DSS) for Cloud Alpha Edge.

2. **Cyber Security Programme Management (CPM) Maturity**

CPM is a continuation security strategy with objectives to address gaps between current technical security controls and EY's Cyber Security Programme Management (CPM) framework, which covers Technology, People, Process & Governance. TM has established five (5) Agile Squads to start the journey to meet the level four (4) CPM compliance.



**Governance**

- **Technology Uplift**

To mitigate security risk at endpoints, prioritising key positions in TM, critical assets and business data, the following security controls are implemented:

- Endpoint data security protection and productivity monitoring (EDSPM). EDSPM is the existing control for high-risk user endpoint.
- Extended Detection and Response (XDR) for endpoint to detect threat and provide protection against cyber attacks
- Multi Factor Authentication (MFA). TM implemented full MFA for access to TM secureVPN and TM Corporate Email.

- **Cyber Security Focused People Development**

In ensuring complete coverage of reaching out to the overall *Warga TM* and taking advantage of technology mainly in elevating the awareness on social engineering and to test the organisation's cyber capacity by measuring its ability to detect and respond to a security incident, GIS has conducted:

- Email Phishing Simulation**

In addressing phishing threats, GIS has conducted two (2) phases of phishing simulation exercises throughout year 2022. The email phishing simulation exercise was sent to almost 18,000 emails that covered 12 of TM's LoBs. There was a positive reduction of total staff compromised from the Phase 1 simulation to the Phase 2 simulation. GIS will continue the exercise and similar activity to ensure the overall population in TM know the common email phishing tell-tales and not be fooled with such emails.

- Cyber Drill**

As part of cyber security continuous preparedness activity, GIS held a TM Cyber Drill 2022 exercise to provide exposure to security personnel on tools and techniques of attackers using real-life threats as technical challenges. The exercise involved 70 security technical personnel from 10 various divisions.

- **Third Party Information Security Requirements**

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

- Supplier on-boarding registration. Security criterias need to be met before registering as a TM vendor.
- Technical security clause and security hygiene for third party. Third party security clauses and requirement added in the Technical Specification.

**Integrity**

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

- **TM Code of Conduct & Business Ethics (CBE) and 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 on Anti-Corruption Policy, Provision 13, which focuses on the TM zero-tolerance approach against all forms of corruption and our top-level commitment in 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 the improper solicitation, bribery, or other corrupt activities and issues that may arise in the course of conducting business. TM adopts a zero-tolerance approach to all forms of corruption. Following this and in view of the provisions of Section 17A, Corporate Liability of MACCA 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 and 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. By having these sessions, employees are equipped acceptable and unacceptable business conduct and zero-tolerance against all forms of corruption. This includes a strong understanding of Corporate Liability Provision Section 17A of MACCA 2009, which has been enforced since 1 June 2020. More than 7,000 employees have attended the awareness session which include both physical and virtual for year 2022. The awareness sessions have also been conducted by the CIGO as part of his engagement with *Warga TM*.

- **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 defense towards compliance with Section 17A of MACCA 2009. TM adopted the framework from Institute Integrity of Malaysia by analysing and interpreting data from multiple sources internally and 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 give focus on the moderate or higher risks. A total of 91 action plans generated based on corruption risk assessments with 20 divisions in 2021. However, in 2022, one (1) additional action

## Integrity

plan is identified which accumulates to 92 action plans in total. As for the progress, 90 action plans have started in 2021 and 2022 which 32 of them are progressive in nature which need to be completed on a yearly basis.

- **TM CBE e-Learning**

In ensuring comprehensive coverage for 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. The main objective of this e-learning is to meet the new learning style and need for the *Warga TM* with the knowledge and practices related to policy. This programme has been designed and developed to address how employees should demonstrate the value of integrity in their daily work and lives with common workplace scenarios via interactive learning videos and messages based on real case scenarios. More than 17,000 employees have completed this e-Learning exercise for the Phase 1 in 2023. Previously, GIG has implemented two (2) others e-Learnings known as Amanah and Uncompromising Integrity featuring videos based on case studies of unethical conduct, assessment, declaration and certification. Both e-Learnings obtained the highest rate of completion by *Warga TM*.

- **Snippet Communication**

Frequent reminders are essential for employees to stay alert on what is permissible under the TM CBE and related policies. This ensures our business is carried out in a clean and transparent environment. 26 snippets have been published in 2022 by GIG which include series of awareness on Section 17A, Corporate Liability Provision of MACCA 2009, corruption related offences, ABMS, No Gift Policy, Whistle Blowing Policy, Management messages on Integrity and Good Corporate Governance and many more. Furthermore, in strengthening TM's commitment towards culture of integrity in TM, no gift buntings have been placed at TM premises with the objective to inform all TM's stakeholders that TM is practicing No Gift Policy.

- **TM Integrity Day 2022**

To demonstrate its commitment and continuous effort to upholding high integrity, governance and transparency in its business operations, TM has organised its annual TM Integrity Day 2022 (TMID) on 1 November 2022, in conjunction with the National Integrity Day. The key highlights of TMID include MS ISO 37001:2016 ABMS certification handover by SIRIM and recitation of the corruption-free pledge followed by a forum entitled, "Uncompromising Integrity". TM GCEO, Dato' Imri Mokhtar, led the citation of the corruption-free pledge together with TM Chairman, Tan Sri Mohammed Azlan Hashim, *Warga TM* and Business Partners in the presence of Datuk Seri Norazlan Mohd Razali, Deputy Chief Commissioner (Prevention) of MACC. The pledge is an oath voluntarily taken by TM's leadership and its employees proclaiming their commitment to carrying out their duties with transparency, responsibility and accountability.

- **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. ABMS is implemented in phases, where the four (4) main LOBs/Divisions have been certified in the first phase. For 2022, the ABMS has been expanded to include two (2) other main LOBs/Divisions and regional offices nationwide. A total of six (6) LOBs/Divisions are ABMS certified in 2022.

- **Corruption Risk Assessment**

Corruption risk assessments were performed by all 20 divisions in TM together with Group Risk Management. This is in line with the requirements set by ISO37001 ABMS and TM OACP. Each division reviews the risk profile quarterly to ensure any integrity, governance and corruption risks are identified at the earliest stage and appropriate controls put in place to mitigate the risk.

- **Integrity Advisory and Due Diligence**

GIG provides strategic guidance to the management and employees regarding ethics and integrity with regards to their respective business activities and compliance to TM's policies and procedures. This includes performing due diligence (e-STK – Sistem Tapisan Keutuhan by SPRM) to obtain sufficient information to access bribery risks on business partners and key positions in TM.

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

Annual DOA and IP is 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 towards building a culture of integrity throughout the organisation. In 2022, 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 provision stipulated under the TM CBE.

- **Whistle Blowing Policy**

TM and its BOD are committed to upholding its 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 the TM Ethics Line.





## Integrity

- **Integrity, Governance and Anti-Corruption Award (AIGA)**

TM won the Gold Category in the AIGA Award 2022 organised by the Malaysian Institute of Integrity (IIM). The objective of AIGA is for organisations to measure, evaluate and benchmark the commitment and efforts in anti-corruption initiatives, practice of integrity, management systems and also enhance in good governance. Based on the assessment and evaluation by IIM and external parties in August 2022, TM has won the gold category for AIGA, competing against 116 other private and Government sectors. This recognition and success demonstrate the commitment in strengthening integrity and governance within the company and across all *Warga TM*.

- **Corporate Investigation**

TM carries out internal investigations on any misconduct and unethical business practices, including corruption-related offences such as Soliciting/Receiving Bribe, Offering/Giving Bribe, Abuse of Power, False Claim, Embezzlement, Conflict of Interest, Disclosure of Confidential Information, as well as investigations of offences under TM CBE and other policies committed by employees, TM business partners and/or parties dealing with TM.

- **Telecommunications Fraud**

TM carries out monitoring and investigations on telecommunications fraud via Fraud Management System. In 2022, the number of fraud losses decreased by 10% as compared to 2021. TM's Telco Fraud loss is 0.01% against TM Revenue based on TM Forum (1.5%) and CFCA (2.22%) world standard benchmark.

### Putting People First

We nurture a high-performance work culture throughout TM. Through TM's Group Human Capital Management (GHCM), we established systems that provide employees with fair and lucrative compensation and policies and unions that allow our employees to work in a comfortable and safe environment.

Among our established policies to ensure controls are in place in managing our internal and external workforce are:

- **Human Capital Policy**

TM has a comprehensive set of written Human Capital policies and procedures covering all employees that guide the Group in managing and developing its human capital. These policies cover Talent Management, Learning & Development, Remuneration & Performance Management, Workforce Planning and Industrial Relations.

- **OSHE Policy**

As a national connectivity and digital infrastructure provider, TM is committed to achieving the highest attainable level in providing a safe, healthy and environmentally-sustainable workplace for its employee, contractors, visitors and other persons throughout all of its activities. To achieve this, TM demonstrates leadership and commitment through its leaders, complies with legislation and other requirements; proactive steps to prevent and eliminate the risk of injuries and health hazards, prevent pollution and damage to properties, awareness and continuous improvement in the OSHE management system.

As COVID-19 pandemic continued globally until mid-half of 2022, prior to opening up the economy, TM also continues to implement key control measures to ensure the safety of our people while adapting to the new normal:

- **Crisis Management Plan**

TM has established COVID-19 Crisis Response Team (CRT) since 28 February 2020 to conduct employees. Contact Tracing and provide timely reminders to our people on COVID-19 SOP compliance, people's safety and well-being during the COVID-19 pandemic. Subsequently, TM Corporate Crisis Management Team (CCMT) was also established on 23 March 2020 to oversee the situation, provide leadership, guidance and recommendations required to ensure TM business continuity, minimise service disruptions to customers and periodically update the BOD.

- **Enhanced Standard Operating and Procedures (SOP) and Guideline**

Key SOP and guidelines were continuously enhanced according to the authority's directives to ensure business and operational continuity.

Protecting the Planet

We are committed to minimising risk of climate change through our contribution as a national telecommunications provider towards building a Digital Malaysia. Our Environmental Policy stated our commitment to conduct operations in a way that is protective of the environment. TM maintains an environmental management system that serves as a framework to achieve regulatory compliance, reduce pollution and prevent accidents.

Sustainability Management Function

Led by the CRO, 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 groupwide ERM to further expand our horizon for a holistic view of ERM in the organisation. With structured sustainability management and risk framework in place, TM progressively assesses the emerging Environmental, Social and Governance (ESG) risk such as carbon emission, supply chain, labour standard, customer experience & privacy, safety & health and social well-being, with focus given on environmental particularly climate

change risk. Starting from 2021, TM started to alleviate the climate change risk as part of Corporate Risk monitored by the Board Risk Committee (BRC).

We continued our progressive effort in optimising opportunities in ESG while at the same time minimising related risks. During the year, as part of our key improvement areas in ESG, we started to execute, track and monitor our established ESG visions and commitments of which the progress is reported to BRC on a quarterly basis (details as per pages 80-83).

E Environmental

We are committed to protecting and preserving the planet via reducing GHG emissions. We introduced a series of carbon emissions targets that are aligned to the national and global goals. To achieve these targets, we are intensifying our efforts to reduce energy consumption, leveraging renewable energy and started our carbon offset programme via reforestation.

S Social

Value creation towards our stakeholders includes enriching the Social Prosperity and Livelihood with digital inclusiveness. As a national telecommunications provider, we included all of our stakeholders in our plan towards ESG, namely our customers, suppliers, communities and employees.

G Governance

We continue to make great strides in our sustainability journey and remain committed to applying the highest standards of conduct to ensure that the best interest of all our stakeholders is always protected.

With the integration of ESG as part of the new TM compass and at the same time embedded in our strategy and operations, we continue to prepare the organisation with an appropriate mitigation plan and strategy to address the ESG related risks and minimise impact to the organisation, subsequently improving overall business and sustainability performance.

INTERNAL AUDIT

Group Internal Audit (GIA) is an in-house internal audit function that reports to the BAC to provide risk-based and objective assurance, advice and insights designed to enhance and protect organisational value. GIA helps the Group to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve ERM effectiveness, control and governance processes. During the financial year, the internal audit function provided continuous assurance on matters that relate 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 208-210 of this Integrated Annual Report.



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

In the Risk Management Self-Assessment Survey for the year 2022, 94.2% of TM Leaders have responded positively on their self-assessment on the effectiveness, adequacy and integrity of appropriate risk and control framework in their division for 2022. This indicates that TM is on the right path to continue building a risk-based decision making culture amongst the staff with the strong demonstration of accountability and responsibility discharged by the respective Head of Divisions.

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 as well as 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 (AAPG) 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

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 designed to enhance and protect organisational value. The internal audit charter approved by the BAC defines the purpose, authority and responsibility of GIA.

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 which 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 Key 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 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 AND 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.

To effectively and efficiently execute the audit engagements, GIA adopts the International Professional Practices Framework (IPPF)<sup>®</sup> and its mandatory elements, including 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.

### SCOPE AND COVERAGE

GIA continues to adopt a risk-based audit plan approach in formulating the annual audit plan, taking into consideration TM's strategic objectives, risk profiling as well as inputs from 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.

The key areas reviewed during Financial Year (FY) 2022 cover the following areas:



Based on a total of 47 audits carried out in FY2022, 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 which includes the team setup, sales channels, sales campaigns, partners appointment and management
- The delivery and management of TM's main products 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, procurement, workforce and cyber security matters

All internal audit reports with significant improvement opportunities were presented to the BAC for deliberation, whilst others were reported in the quarterly reporting to 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 add 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 GIA 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, which are then reviewed by the two (2) Deputy Chief Internal Auditors and finally by the Chief Internal Auditor. 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 adopted a new Audit Management System (Pentana), which has been fully utilised by all auditors effective 1 April 2022. Pentana provides more systematic, digitalised and standardised documentation of audit work.

In July 2022, GIA embarked on Audit Data Mart Project (ADEPT). It serves as the analytics platform for GIA to facilitate data-driven auditing, provide more extensive audit coverage and improve findings

quality through relevant use cases. Upon completion of ADEPT in Q1 2023, GIA auditors will be able to delve deeper insights of the relevant use case, analyse in more granularity and depth and have better visibility across the Group.

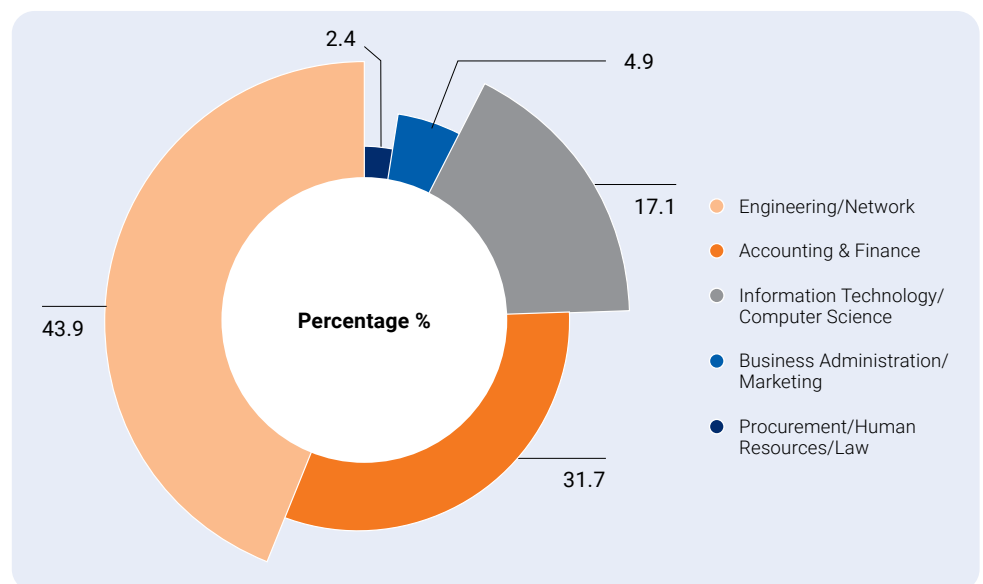
In view of the COVID-19 post-pandemic, GIA adjusted a hybrid auditing approach throughout the year. This ensures that the committed Audit Plan approved by the BAC was not affected. Meetings and interviews were conducted via secure video conferencing channels (MS Teams), while the sharing of documents was via official emails and cloud systems i.e. Office 365 inclusive of OneDrive and Sharepoint, as well as selective physical sites meeting.

In maintaining the quality of audit work, GIA ensures that all audits conform to the Internal Audit IPPF standards. The IPPF was incorporated into an updated Audit Manual in 2022 that was established for internal auditors to follow, where regular compliance reviews were conducted to ensure that internal audits complied with the Audit Manual.

**RESOURCES**

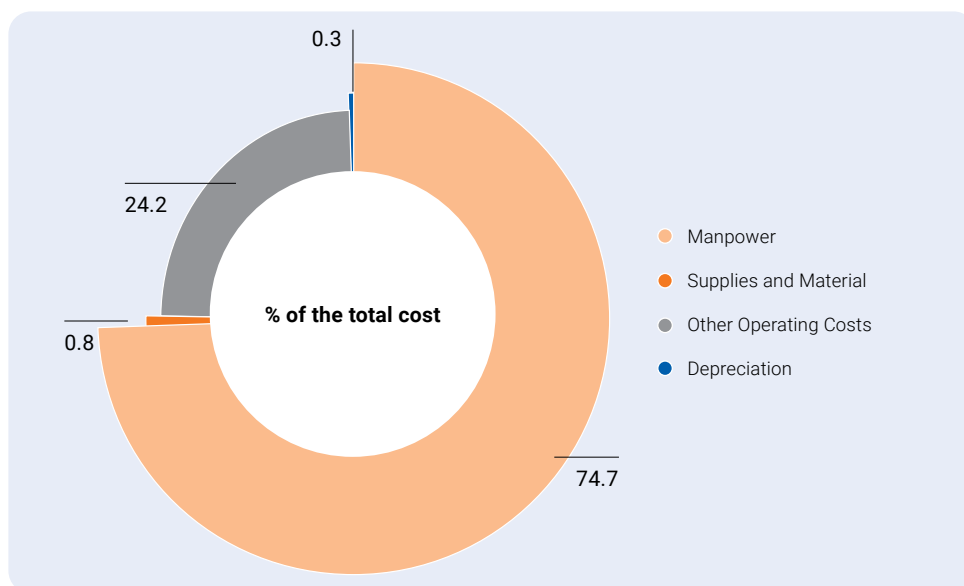
The internal audit activities in FY2022 were executed by 41 internal auditors (excluding three (3) administrative) from various education backgrounds, as follows:

Education Background	No. of Internal Auditors as of 31 December 2022
Engineering/Network	18
Accounting & Finance	13
Information Technology/Computer Science	7
Business Administration/Marketing	2
Procurement/Human Resources/Law	1
<b>Total</b>	<b>41</b>



A total of **RM 6.8 million** was incurred on internal audit activities in 2022. A summary of the internal audit costs is as follows:

Category	RM (million)
Manpower	5.07
Supplies and Material	0.05
Other Operating Costs	1.65
Depreciation	0.02
<b>Total</b>	<b>6.8</b>



**PROFESSIONAL QUALIFICATIONS & CONTINUOUS COMPETENCY DEVELOPMENT**

GIA is committed to equipping 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 qualifications. As of 31 December 2022, professional qualifications and/or certifications held by GIA internal auditors are as shown below:

No	Qualification	No of Certifications
1	MBA/Masters	11
2	ISACA	3
3	FCCA/CPA/CA/ACCA/CMA/CGMA	2
4	Information Technology Infrastructure Library (ITIL)	2
5	Certified Professional Requirements Engineering	2
6	CISCO Certified	2
7	Professional Technologist	2
8	QMS 9001:2015 Lead Auditor	1
9	Certified Internal Auditor (CIA)	1
10	Certified Fraud Examiner (CFE)	1
11	Certified Professional Engineer (Ir.)	1
12	Certified Information Systems Auditor (CISA)	1
13	TM NIOSH Certification	1
14	Certified Tester, Foundation Level (CTFL)	1
15	Certified Tester, Advanced Level Test Analyst (CTAL-TA)	1
16	Management Consulting Institute (MCI), Level 1: Analyst	1
17	Kaizen Lean Six Sigma	1
18	Malaysia Institute of Accountants (MIA)	1
<b>Total</b>		<b>35</b>

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

In addition to the above, 17% (7 auditors) are in the midst of pursuing their professional certifications at various levels. GIA commits to continue striving to improve the proficiency and effectiveness of its service as stipulated in the Internal Audit Charter.

GIA continuously encourages auditors to equip themselves with sufficient knowledge and skills to ensure that a high level of proficiency and due professional care is demonstrated in fulfilling auditors’ responsibilities. In 2022, the internal auditors attended 871 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.

**Haikel Ismail**  
Chief Internal Auditor

**Hisham Zainal Mokhtar**  
Chairman, Audit Committee