

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 are 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 to 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 Enterprise Risk Management 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 cybersecurity risks in 2021, both subjects have been part of the Board's agenda, with BRC being 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 www.tm.com.my.

Board Audit Committee (BAC)

The primary responsibility of the BAC is to assist the Board in assessing the effectiveness of the Group's internal control structure and review of the financial reporting. To 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 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 147 and 148.

Other Board Committees, such as the Nomination and Remuneration Committee, Tender Committee and Investment 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 Enterprise Risk Management 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 in 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 ERM framework.

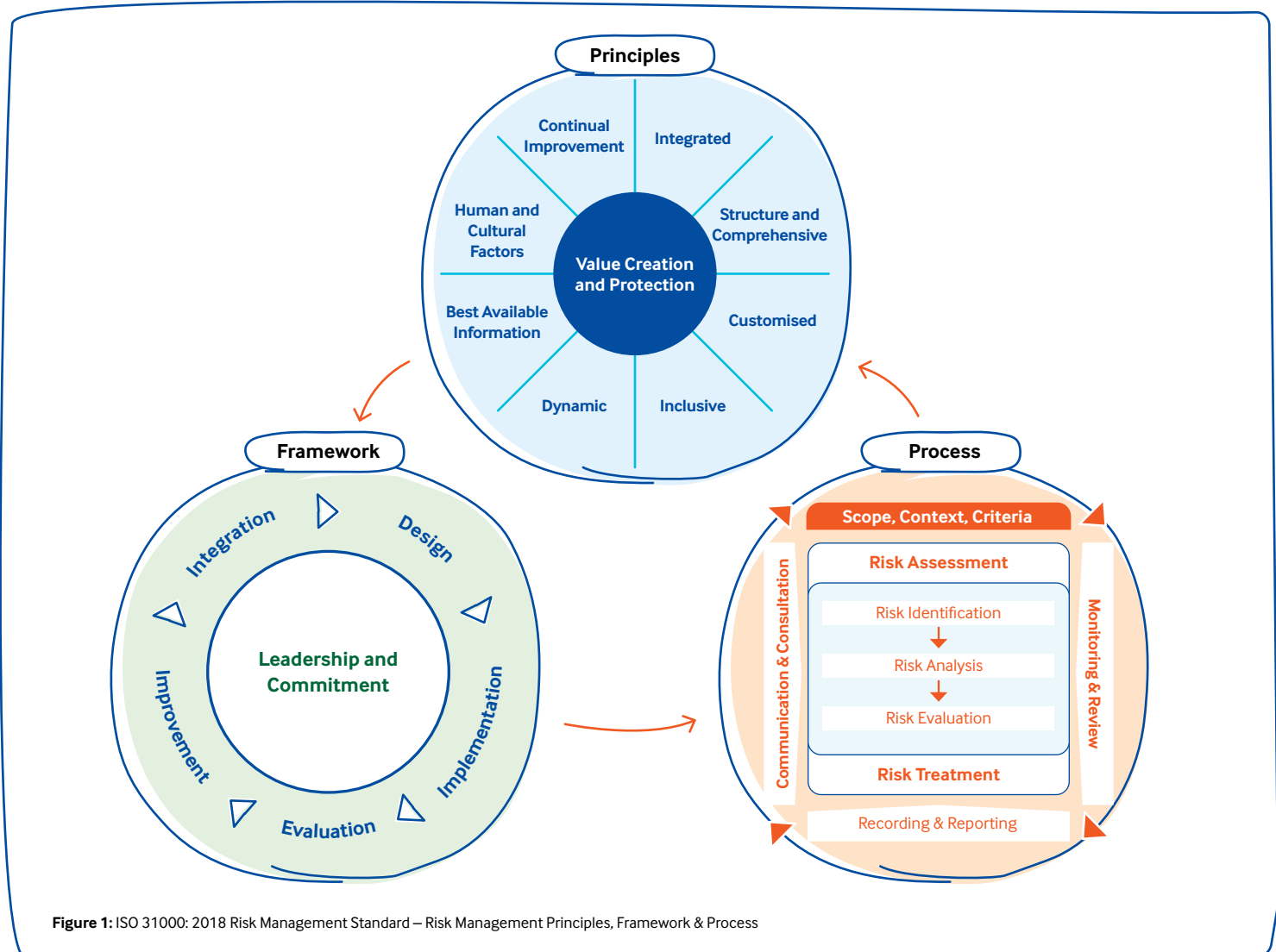
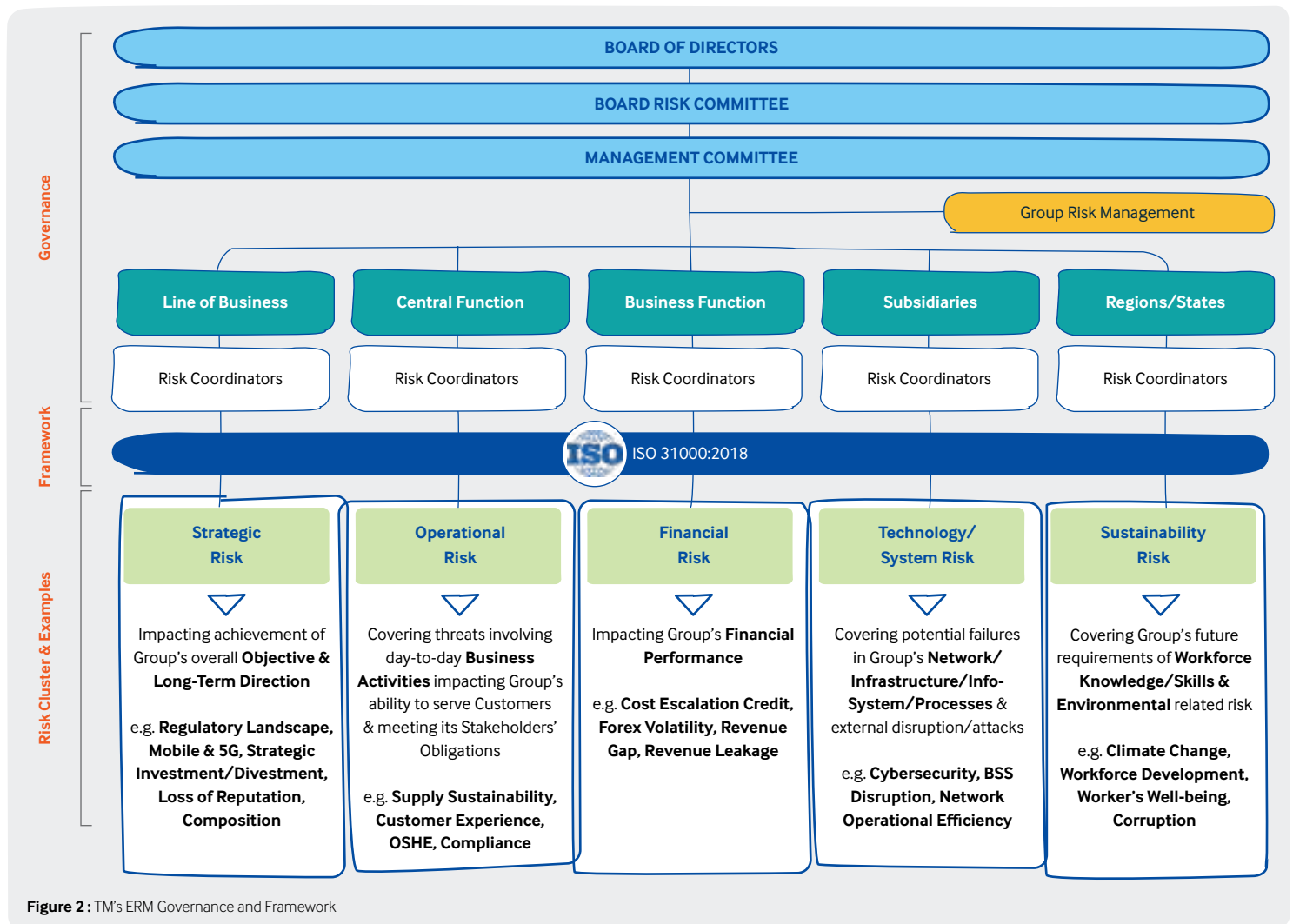


Figure 1: ISO 31000: 2018 Risk Management Standard – Risk Management Principles, Framework & Process

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.



TM's ERM structure spans across the entire organisation, from the Board, right down to the operational level. Through such governance and framework, material risks are consolidated from all Business Segments to the MC, escalated up to the BRC and finally to the Board. There are appointed Risk Coordinators at every LOB, central function, business functions, subsidiaries, and regions/states. 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.

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 by continuously upholding our brand promises, best customer experience, resilient network, compliance to 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 a 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 review and updates the risks, including incorporating relevant emerging risk 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 187 to 189.

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

The BRC and MC continue to provide oversight and appraise the adequacy and the 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 Committee of Sponsoring Organisations of the Treadway Commission (COSO) 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 supports the sustainability of the Company are further elaborated into four (4) main focus:

- Strengthening our governance and integrity as our foundation;
- Delivering affordable, reliable and inclusive internet connectivity as our support in building a Digital Malaysia;
- Putting our people first, which include the development and well-being of our people; and
- Making impactful contributions towards protecting the planet.

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**

In achieving the vision to materialise "Life and Business Made Easier, for a better Malaysia", TM focuses on delivering a world-class

customer experience and becoming Malaysia's service provider of choice. TM is well-equipped to accelerate the transition to Digital Malaysia, with a strong communication backbone, reliable connectivity network, emerging technologies and infrastructure, expert knowledge and experience, and a dedicated leadership team. Moving towards digital will require TM going back to these basics and fixing core issues. TM has embarked on a 3-year transformation journey to strengthen its core connectivity business and invest for future growth.

The New TM Transformation is guided by the New TM Compass, which anchors on Purpose, Customers, Business and People.

- Purpose: Commercial sustainability to allow TM to fulfil its business objectives as a PLC and support nation-building as a GLC
- Customers: Serving all customer segments, with a unique value proposition of connectivity, solutions and customer experience excellence
- Business: Deliver healthier financials beyond revenue growth; prioritise profit growth and shareholders' return. This includes investing for growth to drive Digital and FMC
- People: *Warga TM*; stronger execution engine and embrace a more agile work culture with future-ready skills

The New TM transformation will set TM on a sustainable growth trajectory to create shareholder value and enable a more Digital Malaysia. As an essential enabler, TM plays a leading role in executing the JENDELA implementation plan and realising the MyDIGITAL, which leverages our comprehensive connectivity, digital infrastructure and innovative solutions. This will propel the country towards a full-fledged Digital Malaysia by 2030 – a more Digital Society, Digital Business, Digital Industry and Digital Government.

• **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 the business objectives, while safeguarding and enhancing shareholders' investments and Group's assets. The Group CEO, Heads of LOBs, Heads of Business and Support Groups, and TM subsidiaries' CEOs are responsible for implementing the ERM framework and practices.

• **Product Governance Framework**

Product Governance Framework is established to govern and oversee TM's value creation and management activities, 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.

- **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 MC, Business Operations Council (BOC) and Technology Committee (TechCom), were established to provide guidance and decision timely 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 MC that reports to the BAC. The BPC serves as a platform to update and discuss developments in 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 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 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.

- **TM Information Security Council (TMISC)**

The primary responsibility of TMISC is to govern and discuss the Information Security related matters in TM and plan towards strategic information security governance, compliance, risk management, development, operations and best practices. To achieve this, at minimum, the council shall discuss the Information Security Incident, Information Security Risk, Vulnerability Management updates, Information Security Compliance and Information Security Development Programme. Relevant discussed items will be reported to TM Management and BRC.

- **TM Information Security Policy**

This policy outlines TM's approach to information security management. It provides the guiding principles and responsibilities necessary to safeguard the security of the TM's information asset. Supporting policies, procedures and guidelines provide further details. It aims to ensure the appropriate confidentiality, integrity, and availability of TM's information following the information security standard ISO/IEC 27001 and National Cybersecurity Policy requirements. The principles defined in this policy will be applied to all of the physical and logical information assets for which TM is responsible.

- **Cybersecurity Programmes**

TM has been planning, executing and measuring the effectiveness of cybersecurity programmes to improve Governance, Compliance, Risk and Operations Management for TM Group. The programmes have strengthened TM's infrastructure protection against cyber threats, protected stakeholders' data, and ensured the high availability of TM services at all times. Amongst key cybersecurity programmes are continuous Information Security Policy review to address rising threats to business, security certifications to strategic IT and Network domains, cyber response drill to increase cybersecurity awareness, preparedness against cyberattacks for fast incident management, deployment of security controls and cybersecurity awareness through webinars, electronic medium sharing such as email and on-demand e-learning content. A security awareness programme helps employees and contractors to understand that information security is not an individual's responsibility; it is the responsibility of everyone. The programme also explicitly mentions that the employees and contractors are responsible for all assets and activities performed under their identifications.

• **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 Information Security Policy, which is in place to control and monitor access adequately.

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.

Ongoing awareness and briefing sessions 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. The sessions include both physical and virtual.

• **Organisational Anti-Corruption Plan**

In line with the Government's requirements as set out in the National Anti-Corruption Plan (NACP) 2019-2023 and our commitment to total integrity across the Group, OACP has been developed further strengthen our existing ethics and integrity ecosystem. This OACP clearly defines the focus areas and strategic initiatives to mitigate corruption, integrity and governance risks. It also details our actions in strengthening compliance, governance and monitoring.

• **Uncompromising Integrity & Amanah E-Learning**

In ensuring complete 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 Uncompromising Integrity. The main objective of this e-learning is to meet the new learning style and need for the *Warga TM* during the WFH, with the knowledge and practices related to TM's CBE and ACG. 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 20,000 employees have completed this e-Learning exercise, including assessment to gauge the understanding and certification after completion.

• **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. Various awareness snippets have been published on Section 17A, Corporate Liability Provision of MACCA 2009, No Gift Policy, Whistle-blowing Policy, OACP, including Management messages.

• **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 the second phase in 2021, the ABMS scope is expanded to include two (2) other main LOBs/Divisions.

• **Corruption Risk Assessment**

Corruption risk assessments were performed by all 20 divisions in TM together with GRM. 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.

• **Enhanced Process and Procedures to address corporate liability provision of the Malaysian Anti-Corruption Commission Act 2009**

In view of the new corporate liability provision of the MACCA 2009, Section 17A, which has been enforced since 1 June 2020, CBE, ACG and TM SMG has been updated to reflect the necessary updates and compliance to address the Section 17A. The review and updates were required to ensure that TM has adequate control to conduct its business with integrity and eradicate corrupt practices.

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

Annual DOA and IP is one of the control measures being implemented in TM to ensure transparency and integrity in daily business dealings and prevent a conflict of interest. In 2021, 100% of TM Employees had completed the DOA and executed the IP via the SAP platform. The declaration of interest includes the employees' declaration of any employment or business outside TM and a declaration for their family members involved in business dealings with TM or who work or provide services to TM's competitor. This is in line with the CBE.

• **Whistle-blowing Policy**

TM Whistle-blowing Policy 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.

• **Corporate Investigation**

TM carries out internal investigations on any misconduct and unethical business practices, including corporate fraud and corruption-related offences committed by employees or parties dealing with TM, as well as investigations on telecommunications fraud.

Putting People First

We nurture a high-performance work culture throughout TM. Through 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 and Development (L&D), Remuneration & Performance Management, Workforce Planning and IR.

- **OSH Policy**

As 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 will demonstrate leadership and commitment through its leaders, comply 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 in 2021, TM also continues to implement key control measures to ensure the safety of our people while adapting to the new normal:

- **Special Work Arrangement (SWA)**

Our people are given clear guidelines, equipped with standard procedures on WFH and RTW during the MCO period. Digital conferencing tools and applications are provided to ensure staff productivity is not negatively affected due to working from home. This includes the COVID-19@TM App as a platform for Daily Health Declaration, COVID-19 vaccination status update, and ensuring information and communication on COVID-19 for *Warga TM* are up to date at all times. In addition, those working as TM frontliners or in critical functions, which are vital to ensure continuous service connectivity to TM customers, are given special allowances.

- **Crisis Management Plan**

TM has established COVID-19 Crisis Response Team (CRT) since 28 February 2020 to conduct staff Contact Tracing and provide timely reminders to our people on COVID-19 SOPs 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 and, up to the date of this report, continues to oversee the situation, provide leadership, guidance and recommendations required to ensure TM business continuity, minimise service disruptions to customers and periodically update the Board. Any staff, tenant or visitor to TM premises must undergo a temperature check and provide a health declaration upon entering the premises.

- **Enhanced SOPs and Guideline**

Key SOPs and guidelines were continuously enhanced according to the authority's directives to ensure business and operational continuity while at the same time minimising the COVID-19 exposure to TM's field workforce and frontliners. These include Enhanced SOPs/Guidelines for Network Field Staff and Contractors and Guidelines for unifi channels.

- **Vaccination Programme**

TM fully support the National COVID-19 Immunisation Programme to curb the spread of COVID-19 and move Malaysia towards the endemic phase. As such, TM has internally driven a group-wide vaccination campaign to achieve maximum immunisation rate while at the same time further ensuring the safety and health of *Warga TM* and contractors, especially those who interacts with our customers. To date, almost 100% of both *Warga TM* and contractors have been fully vaccinated. A minimal number that has yet to be vaccinated will not be allowed to enter TM's premises or meet customers to minimise exposure to workplace infection risk.

Protecting the Planet

We are committed to minimising climate change risk in pursuing 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 EMS 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 group-wide 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 ESG risk 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. In 2021, TM started to alleviate the climate change risk as part of Corporate Risk monitored by the BRC.

We continue our progressive effort in optimising our opportunities in ESG while at the same time minimising related risks. During the year, as part of our key improvement areas in ESG, we have established our ESG visions and commitments (details as per page 81).

Environmental

We are committed to protecting and preserving the planet via reducing GHG emissions. We introduced a series of carbon emission 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 exploring our contributions in carbon offset via reforestation.

Social

Our 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.

Governance

We continue to make great strides in our sustainability journey, and we remain committed to applying the highest standards of conduct and ensuring 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 will 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

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 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 183 to 185 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 2021, 93.8% 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 2021. 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 Boards of Directors 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 LR, the external auditors have reviewed this Statement on Risk Management and Internal Controls (SORMIC). 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. Audit and Assurance Practice Guide (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.

*** This paragraph is subject to Group Internal Audit (GIA) submission and up for deliberation and approval from Board Audit Committee (BAC)

Statement of Internal Audit

Group Internal Audit (GIA) assists TM Group in achieving its business objectives by implementing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management measures, controls and governance processes. GIA provides independent, 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 is 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 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.

GIA adopts the International Professional Practices Framework (IPPF)® 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. This enables GIA to effectively manage its functions and perform audit engagements.

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 on the adequacy and effectiveness of the design, implementation and efficiency of the Group's overall internal control system, risk management and governance.

SCOPE AND COVERAGE

GIA continues to adopt a risk-based audit plan approach to provide independent assurance to the Board that the audit plans are prioritised based on the Group's strategies, objectives and key risk areas.

In addition to the 17 assurance related reviews, GIA covered key business areas through the 22 value programme-related audits. GIA provided assurance, insights and advisory related to the identified TM's value programmes.

In total, GIA conducted 39 reviews that covered the following areas:

- | | | |
|---|--|---|
|  Sales Strategy, Planning and Management |  Governance, Monitoring and Oversight |  Subsidiaries Operational Efficiency and Effectiveness |
|  Product Strategy, Marketing and Sales |  Partners' Contract Management |  IT and Information Security Controls and Governance |
|  Product Management and Governance |  Project Management |  Data and System Migration Management |
|  Customer Experience Management |  Credit Management |  Risk Management |
|  Service Deliveries, Fulfilment and Assurance Management |  Risk Management |  System Development, Implementation and Management |
| |  Human Resource Strategy and Management |  Network and Infrastructure Management |
| |  Accounting and Financial Reviews | |

These audits evolved around the following seven (7) key audit areas:

Key Audit Areas	Definition
<p>1 Sales Strategy & Conversion</p>	<ul style="list-style-type: none"> • To determine gaps and challenges in the sales plan and strategy to achieve sales goals. • To review the detailed processes and best practices, including identifying the target market, performing competitive research, analysing trends and deciding on sales, promotion methods, etc. • To deliver services/products where they are needed. • Focus on evidence in decision-making and planning: forecasting (demand), Product management.
<p>2 Customer Experience Strategy & Management</p>	<ul style="list-style-type: none"> • To identify gaps in the customer journey and touchpoints across channels that affect customer experience and loyalty. • To review the medium-to-long-term customer experience management strategies to help implement a sustainable, cross-departmental customer experience programme. • To deliver programme benefits. • To identify improvements with the help of technology. • Reliable and transparent performance reports: measuring the right thing, leading and lagging indicators/metrics for effective customer experience performance management.
<p>3 Infrastructure & Capacity Management</p>	<ul style="list-style-type: none"> • To ensure that services and infrastructure capacity can deliver the agreed service level targets in a cost-effective and timely manner. • To assess all resources required to deliver the service, and plans for short-, medium- and long-term business requirements.
<p>4 Cybersecurity</p>	<ul style="list-style-type: none"> • To assess the governance framework and management of cybersecurity in terms of enforced security policies, computer software and hardware asset list, data classified by usage and sensitivity, established chain of data ownership, etc. • To identify gaps in employee awareness and training, business practices, IT staff, physical security, data security and active monitoring and testing. • To manage data: quality data, training and knowledge management data, and Records Management. • Security of systems and information.
<p>5 Supplier/Partner Development & Management</p>	<ul style="list-style-type: none"> • To identify gaps in the supplier/partner selection process. • To identify weaknesses in contract design, execution, monitoring, and managing supplier/partner performance. • Fair and transparent procurement process. • To review contract provision and utilisation. • Value for money.
<p>6 Workforce Strategy & Management</p>	<ul style="list-style-type: none"> • To assess the organisation's workforce strategy, policies, practices and processes, including key areas such as recruitment, retention, compensation, performance, training and development. • To identify gaps based on indicators such as turnover, employee satisfaction, etc.
<p>7 Governance & Compliance</p>	<ul style="list-style-type: none"> • To determine gaps and challenges in the oversight of business, projects, and initiatives, including product. • To review the business case's availability for every planned CAPEX to enhance revenue generation. • To ensure accountability for performance. Clear roles and responsibilities.

All internal audit reports are presented 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 monitors and verifies 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 contribution and value add recommendations to 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.

In addition to performing audit engagement, GIA has also involved the Management in strengthening compliance teams within their units, sharing best practices as well as knowledge on internal auditing, risk management and internal controls to the various stakeholders in TM.

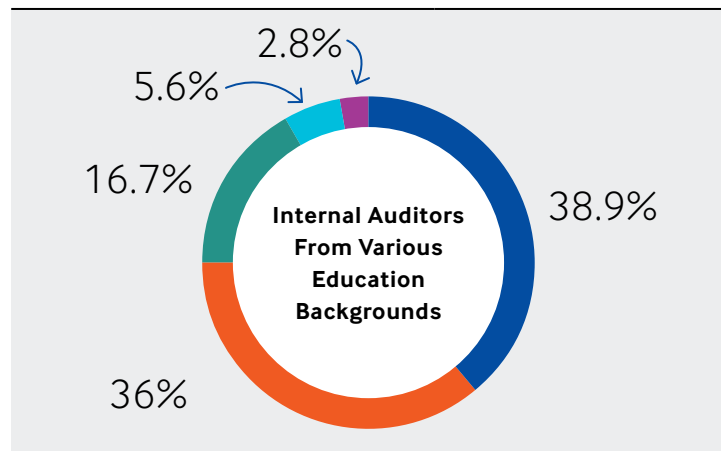
RESOURCES

A total of **RM5.4 million** was spent on internal audit activities in 2021. A summary of the internal audit costs are as follows:

Category	RM (million)	% of the total cost
Manpower	5.21	97.1%
Supplies and Material	0.07	1.4%
Other operating costs	0.05	0.9%
Depreciation	0.03	0.6%
Total	5.36	100%

Excluding the administrative staff, GIA consist of 36 internal auditors from various education backgrounds, as follows:

Education Background	No. of Internal Auditors as of 31 December 2021
● Engineering/Network	14
● Accounting & Finance	13
● Information Technology/Computer Science	6
● Business Administration/Marketing	2
● Procurement/ Human Resources/Law	1
Total	36



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's results and conclusions. Audit reports are prepared by the respective GIA Head of Units, which is then reviewed by the 2 Deputy CIAs and finally 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.

In view of the COVID-19 pandemic, GIA adjusted to remote auditing 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, while the sharing of documents was via official emails and cloud system, TM One Box as well as OneDrive.

To further improve audit quality through analytics, GIA established a new Audit Data Specialist post in 2021 to accelerate the adoption of analytics throughout the audit lifecycle. From audit planning to testing and reporting, auditors can use data analytics to gain a better in-depth understanding of their review.

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 Audit Manual in 2020 that was established for internal auditors to follow, where regular compliance reviews were conducted to ensure that internal audits complied with the Audit Manual.

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 2021, professional qualifications and/or certifications held by GIA internal auditors are as shown below:

Qualification	No of Certifications
1) MBA/Masters	10
2) FCCA/CPA/CA/ACCA/CMA/CGMA	4
3) Information Technology Infrastructure Library (ITIL)	3
4) Certified Internal Auditor (CIA)	3
5) Certified Fraud Examiner (CFE)	1
6) Certified Professional Engineer (Ir.)	1
7) Certified Professional Requirements Engineering	1
8) Certified Tester, Foundation Level (CTFL)	1
9) Certified Tester, Advanced Level Test Analyst (CTAL-TA)	1
10) Qualified Risk Auditor (QRA)	1
11) Management Consulting Institute (MCI), Level 1: Analyst)	1
12) Kaizen Lean Six Sigma	1
13) QMS 9001:2015 Lead Auditor	1
Total	29

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

In 2021, the internal auditors attended 7,832 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 a portfolio focused that supports talent development within GIA and enables the auditors to have adequate exposure performing audits across the entire TM value chain.

Haikel Ismail
Chief Internal Auditor

Hisham Zainal Mokhtar
Chairman, Audit Committee